HEALTH CARE FINANCING STRATEGY OF THE PHILIPPINES 2023-2028

Towards Universal Health Care

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TOWARDS UNIVERSAL HEALTH CARE

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MESSAGE FROM THE SECRETARY

Dear Colleagues and Partners,

The Department of Health (DOH) is honored to present the Health Care Financing (HCF) Strategy of the Philippines 2023-2028 Towards Universal Health Care (UHC). This roadmap embodies our unwavering commitment to the health and well-being of all citizens, reflecting insights from previous strategies and addressing evolving challenges. This strategy, shaped by lessons from the past, considers the financial implications of the UHC Act, the intricacies of the Mandanas-Garcia Ruling, and barriers to the delivery of efficient healthcare services.

In collaboration with key partners, the Health Care Financing Strategy of the Philippines aligns with the Philippine Development Plan and DOH's 8-Point Action Agenda as the Medium-Term Strategy of the Health Sector for 2023-2028. Together, we are dedicated to achieving key health financing goals, ensuring equitable access to care, and driving transformative UHC reforms.

As we embark on this journey, we invite all stakeholders to embrace this national strategy. With concerted efforts, targeted interventions, and an unwavering commitment, the health sector is poised to surmount challenges and ensure a future where universal health care is accessible to every Juan and Juana and are protected from financial hardships.

With gratitude to our partners and contributors, we march ahead, united in our vision to be among the healthiest in Asia by 2040 and committed to serve the Filipinos, under our call, *sa Bagong Pilipinas, Bawat Buhay Mahalaga!*

Teodoro J. Herbosa, MD
Secretary of Health

FOREWORD

Greetings and salutations from the Health Systems Development Team of the Department of Health!

As we enter the years from 2023 to 2028, marked by resilience and recovery following the challenging pandemic, it is crucial to underscore the significance of health care financing towards achieving Universal Health Care. In the realm of health financing, our nation faces challenges, including persistent high out-of-pocket expenses despite increased government spending, underfunding for health including insufficient investment in primary care. In response, DOH commits to four key strategies: increase public funding for health, strengthen financing of primary care, ensure equitable financing to health services and affordable medicines, and promote transparency, accountability, and good governance in health. The Health Care Financing (HCF) Strategy of the Philippines 2023-2028 Towards Universal Health Care (UHC) underpins our mission to ensure financial risk protection in accessing quality healthcare for every Filipino.

The Department believes in the critical role of health care financing as an instrument to move UHC forward as well as support the implementation of the 8-Point Action Agenda of the DOH. Let us join hands and actively participate in implementing these strategies to attain better health outcomes, stronger health systems, and ensure access to all levels of care. Each of us has a role to play in ensuring that every Filipino has access to the healthcare they deserve. Together, we can build a healthier and more prosperous Philippines.

Dr. Lilibeth C. David, MPH, MPM, CESO I
Undersecretary of Health

ABBREVIATIONS AND ACRONYMS

ACR	All Case Rates
ACSC	Ambulatory Care-sensitive Conditions
AICS	Assistance to Individuals in Crisis Situation
ADB	Asian Development Bank
BLGF	Bureau of Local Government Finance
BSP	Bangko Sentral ng Pilipinas
CAF	Cancer Assistance Fund
CHD	Center for Health Development
CHE	Current Health Expenditure
COA	Commission on Audit
COPB	Comprehensive Outpatient Benefit Package
CPGs	Clinical Practice Guidelines
CSOs	Civil Society Organizations
DILG	Department of the Interior and Local Government
DOF	Department of Finance
DOH	Department of Health
DRG	Diagnosis Related Groups
DRG-GB	Diagnosis Related Groups - Global Budget
DSWD	Department of Social Welfare and Development
DTP	Devolution Transition Plan
EO	Executive Order
e-LMIS	electronic Logistics Management Information System
4PL	4th Party Logistics
GAA	General Appropriations Act
GDP	Gross Domestic Product
GGHE-D	Domestic General Government Health Expenditure
GIDA	Geographically Isolated and Disadvantaged Areas
HCF	Health Care Financing
HCFS	Health Care Financing Strategy
HCPN	Healthcare Provider Network
HFEP	Health Facility Enhancement Program

HIS	Health Information System
HPDPB	Health Policy Development and Planning Bureau
HRH	Human Resources for Health
HTP	Heated Tobacco Products
IRA	Internal Revenue Allotment
KonSulTa	Konsultasyong Sulit at Tama
LGC	Local Government Code
MAIFIP	Medical Assistance for Indigent and Financially Incapacitated Patients
MDGs	Millenium Development Goals
MTEP	Medium-Term Expenditure Program
NBB	No balance billing
NCD	Non-communicable Diseases
NEDA	National Economic Development Authority
NEP	National expenditure Program
NGO	Non-Government Organization
NHES	National Health Expenditure Survey
NHIP	National Health Insurance Program
NHRHMP	National Human Resources for Health Masterplan
NNC	National Nutrition Council
NOH	National Objectives for Health
NTA	National Tax Allocation
ODA	Official Development Assistance
OOP	Out-of-pocket
P/CWHS	Province-wide and City-wide Health Systems
PAGCOR	Philippine Amusement and Gaming Corporation
PIA	Philippine Information Agency
PCB	Primary Care Benefit
PCP	Primary Care Provider
PCPN	Primary Care Provider Network
PCSO	Philippines Charity Sweepstakes Office
PDP	Philippine Development Plan
PFM	Public Financial Management
PHC	Primary Health Care
PHFDP	Philippine Health Facility Development Plan
PIDS	Philippine Institute for Development Studies

PNHA	Philippine National Health Accounts
PPMs	Provider Payment Mechanisms
PPP	Public Private Partnership
PSA	Philippine Statistics Authority
RA	Republic Act
RHU	Rural Health Units
SCI	Service Coverage Index
SCSP	Sub-cluster on Social Protection
SDG	Sustainable Development Goals
SHI	Social Health Insurance
SSB	Sugar sweetened beverages
SV	Support Value
THE	Total Health Expenditure
UHC	Universal Health Care
UHC-IS	Universal Health Care Implementation Sites
WHO	World Health Organization

DEFINITION OF TERMS

All Case Rates refers to the fixed rate or amount that PhilHealth will reimburse for a specific illness/ case, which shall cover for the fees of health care professionals, and all facility charges including, but no1· limited to, room and board, diagnostics and laboratories, drugs, medicines and supplies, operating room fees and other fees and charges. (PC 2023 -0014)

Diagnosis Related Groups refers to a patient classification system which utilizes an algorithm in assigning a case to a specific group by using a special backend system called a grouper (PC 2023-0014).

Catastrophic health expenditure refers to the level of OOP spending that surpasses a household's expenditure threshold, either 10 percent or 25 percent of total household expenditure, can potentially lead to financial hardships and eventual impoverishment.

Commercial determinants of health refers to the private sector activities that affect people's health, directly or indirectly, positively or negatively (WHO).

Current Health Expenditures refers to the estimates of current health expenditures which include healthcare goods and services consumed during each year. This indicator does not include capital health expenditures such as buildings, machinery, information technology and stocks of vaccines for emergencies or outbreaks (WHO-GHED).

Financial Integration refers to the consolidation of financial resources exclusively for health services and health system development under a single planning and investment strategy by the province-wide and city-wide health system.

Global Budget refers to an alternative payment model (specifically, a form of capitation) in which providers—typically hospitals—are paid a prospectively-set, fixed amount for the total number of services they provide during a given period of time.

Health Technology Assessment refers to the systematic evaluation of properties, effects, or impact of health-related technologies, devices, medicines, vaccines, procedures and all other health-related systems developed to solve a health problem and improve the quality of lives and health outcomes, utilizing a multidisciplinary process to evaluate the clinical, economic, organizational, social and ethical issues of a health intervention or health technology.

Out-of-pocket payment refers to the amount that a family is required to pay for health care. This could arise because the family has no social health insurance cover or has to pay user fees in public facilities. Even if the family has insurance, OOP could arise as a result of co-payment, deductibles, or benefit limits or exclusions, or from the use of medical savings accounts which individualized family health expenditure.

Primary Health Care	refers to a whole-of-society approach that aims to ensure the highest possible level of health and well-being through equitable delivery of quality health services (DOH AO No. 2020-0024).
Support Value	refers to the percentage of costs covered by the Philippine Health Insurance Corporation (PhilHealth) through reimbursements during a beneficiary's certain confinement period or his/her utilization of applicable healthcare services. This indicator measures the proportion of the total amount of inpatient care cost that is covered by PhilHealth.
Service Coverage Index	refers to the coverage index for essential health services, based on tracer interventions that include reproductive, maternal, newborn and child health, infectious diseases, noncommunicable diseases and service capacity and access.

Photo credits: Communication Office

EXECUTIVE SUMMARY

The Health Care Financing (HCF) Strategy of the Philippines 2023-2028 Towards Universal Health Care (UHC) serves as the medium-term financing roadmap of the country. It supports the implementation of reforms in the UHC Act with the main goal of reducing household out-of-pocket (OOP) payment and protect Filipinos from financial risk when accessing health services.

Photo credits: USAID's ProtectHealth/Palladium

This document responds to the lessons from the implementation of the HCF Strategy 2010-2020, the financing implications of the UHC Act, and the implementation of the Mandanas-Garcia Ruling through Executive Order (EO) No. 138 s. 2021, which provides for the full devolution of certain functions of the Executive Branch to the Local Governments Units (LGUs). The strategies also took into consideration the major bottlenecks to health service delivery, drivers of out-of-pocket expenditures and catastrophic health spending, tight fiscal space and rising inflation rates brought about by the COVID-19 pandemic.

> **provides the strategies, interventions, and targets to meet key health financing objectives to realize priority UHC reforms**

In alignment with the Philippine Development Plan, and the DOH 8-Point Action Agenda, the Health Care Financing (HCF) Group of the Health Policy Development and Planning Bureau (HPDPB), with the support and technical assistance of the Asian Development Bank (ADB) and the USAID-ProtectHealth, developed the National HCF Strategy 2023-2028 that provides the strategies, interventions, and targets to meet key health financing objectives to realize priority UHC reforms.

HEALTH CARE FINANCING CHALLENGES AND OPPORTUNITIES

Despite a surge in government healthcare expenditure in the Philippines, there has been no substantial decline in out-of-pocket (OOP) expenses among Filipinos.

The share of health in total public spending has increased, with the Department of Health (DOH) accounting for a significant portion. In 2022, total health expenditure made up 5.5% of the Gross Domestic Product (GDP), while general government health spending accounted for 44.2 percent of current health expenditure (CHE).

Even though the OOP share in CHE dropped to 41.9 percent in 2021 from 45.0 percent in 2020, its current share of 44.7 percent in 2022 suggests that this decline was offset by increased government funding for the COVID-19 pandemic response. This trend also indicates that there has been no substantial decline in OOP expenses, which contribute to financial difficulties in accessing inpatient and outpatient care, evidenced by a high incidence of catastrophic health expenditure. While the National Health Insurance Program expanded its coverage for all Filipinos, PhilHealth's impact on reducing OOP has yet to be felt, highlighting the need for further improvements in financial risk protection.

Further, based on the UHC Medium Term Expenditure Program (MTEP) 2022-2026, an estimated Php 1.22 trillion (low scenario) to Php 2.34 trillion (high scenario) is required to implement the UHC Act, leading to a funding gap of Php 163 billion to Php 1.28 trillion, considering projected fiscal space for health. These estimates cover budgetary needs for the DOH and PhilHealth premium subsidies, but the total amount required for full reforms may exceed these estimates.

Government health funds, including those from sin taxes, have not been fully utilized, leading to missed benefits for the population.

Discrepancies in allocation, obligation, and disbursement trends can be observed within the DOH. Low disbursement rates have been particularly prominent for big-ticket projects like the Health Facilities Enhancement Program (HFEP), due to various reasons such as post-National Expenditure Program (NEP) entries, non-readiness of sites and election ban that does not advance procurement and checks for site readiness and technical delays in procurement. Other DOH programs and activities also face low disbursement rates, often due to procurement deficiencies and contract implementation issues.

Inadequate expansion of benefit packages for health services.

This has resulted in PhilHealth not receiving full funding allocations, further hindered by uncollected premiums and subsidies. The suspension of premium hikes mandated by the UHC Act due to the pandemic exacerbates these issues.

Local government spending on health has experienced a modest increase, yet subsidies from the national government continue to be the primary source of financing for devolved health programs and investments.

The DOH allocates funds for public health commodities and infrastructure improvements, expenditures that ideally should be covered by local government budgets. However, as of 2022, local government spending makes up less than 10 percent of CHE, and there are substantial variations in health spending across LGUs.

Investments in primary care service delivery systems remain low in the Philippines, despite significant increases in overall health spending over the past decade.

The majority of health expenditures go toward curative care and medical goods, while primary care—a focus of the UHC Act—constitutes a smaller share. Supply challenges, including limited access to Rural Health Units (RHUs), contribute to poor performance in primary healthcare. Ongoing efforts to address these capacity and investment gaps through the Comprehensive Outpatient Benefit Package (COBP) and Primary Care Provider Networks (PCPNs) are still in development. Earlier initiatives such as KonSulTa and the primary care benefit (PCB) have encountered operational issues and low uptake, compounded by delays in implementation due to the COVID-19 pandemic.

To respond to the aforementioned challenges in health care financing, ***four (4) key strategies*** will be implemented namely:

(1) Increase public funding for health;

(2) Strengthen financing of primary care;

(3) Ensure equitable financing for health services and affordable medicines; and

(4) Promote transparency, accountability, and good governance in health.

HEALTH CARE FINANCING STRATEGIES

Strategic Objective 1: INCREASE public funding for health

A robust budget for health is a prerequisite for ensuring that all Filipinos have equitable access to quality and affordable healthcare services, as well as protection against financial hardship when accessing care. To achieve this, it is essential to raise adequate, sustainable, and predictable health revenues equitably, with a focus on providing comprehensive, quality care, particularly for disadvantaged populations. A pivotal way to facilitate this shift is to reduce reliance on high household OOP by moving toward a predominantly publicly-funded healthcare system.

This involves increasing funding in key government entities, including the DOH, PhilHealth, and LGUs, while gradually shifting the burden of healthcare financing from households to the government. To achieve this, the following interventions in this medium term are the following: (1) Raise taxes on sin products and other unhealthy behaviors/factors affecting health; (2) Empower LGUs to spend more for health; (3) Tap other funding sources for health such as those from official development assistance (ODA) and through private sector sector engagement, to address gaps in UHC implementation; and (4) Improve premium collection through identification and enrollment of the informal sector in the NHIP.


Photo credits: Communication Office

Strategic Objective 2: STRENGTHEN Financing of Primary Care

Strengthening the financing and implementation of primary care is critical for achieving UHC's objectives of equitable access and financial risk protection. Effective primary care serves as the foundation for cost-effective healthcare systems that aim to reduce health disparities. Not only does a well-funded primary care system enhance equitable access, but it also leads to a demonstrated decrease in unnecessary spending and hospitalizations. In line with the 8-point action agenda, there is a need to boost both national and local investments for primary care to further enhance primary care delivery systems. This will provide comprehensive, integrated health services, and ensure financial protection for outpatient benefit packages.

To strengthen financing of primary care, the following interventions shall be undertaken: (1) Expand investments in primary care inputs; (2) Enable availment of primary care benefits; and (3) Ensure financial viability and quality of primary care benefit delivery.

Strategic Objective 3: ENSURE equitable financing to health services and affordable medicines

The incidence of catastrophic health spending remains relatively high, despite existing financial risk protection measures like PhilHealth benefit packages and various medical assistance programs. Coverage gaps and insufficient protection levels persist, particularly for vulnerable populations. These issues are further exacerbated by the high cost of drugs and medicines, which often drive up OOP payments for healthcare.


Photo credits: Communication Office

While efforts have been made to maximize PhilHealth support value, challenges remain in providing adequate financial risk protection for all Filipinos.

To address these issues and reduce catastrophic health expenditures, the following interventions shall be implemented: (1) Align all medical assistance programs with PhilHealth benefits, including complementation of Private Health Insurance (PHI) and/or Health Maintenance Organization (HMO) benefits; (2) Transition to an improved and more efficient provider payment mechanisms; (3) Implement cost-sharing policies with zero copayment for basic accommodation; (4) Implement PhilHealth benefit development plan responsive to the needs of Filipinos across all lifestages; and (5) Maximize mechanisms to improve availability and affordability of medicines.

Strategic Objective 4: PROMOTE transparency, accountability, and good governance in health

This strategy focuses on ensuring public access to health-related information, which requires the government to be transparent and clear in matters affecting service delivery and utilization. It also seeks to strengthen infrastructures and capacities necessary for interoperable health information systems, adequately staffed and stocked health facilities, and well-informed citizens who can fully utilize their entitled health benefits. The stewardship role of the DOH implies strengthening of systems and mechanisms to strategically influence how resources are generated, allocated, and utilized, ensuring the provision of quality and affordable care.

To promote transparency, accountability, and good governance in health, the following interventions shall be implemented: 1) Enhance the interoperability of digital health information systems (HIS) for efficient health system management and service provision; (2) Institute mechanisms for stronger Public Financial Management in health; and (3) Raise public awareness on individuals' health rights and obligations.

Implementation and Monitoring Plan

The successful execution of the Health Care Financing Strategy of the Philippines 2023-2028 is hinged upon a rigorous implementation and monitoring plan in close coordination and collaboration among the DOH, PhilHealth, relevant NGAs, LGUs, healthcare providers, health experts, as well as its relevant stakeholders. Monitoring the indicators and targets set will measure the impact of the HCF Strategy and the intermediate outcomes for each of the four (4) strategic objectives across the medium term. As part of the implementation of the Strategy, a Health Care Financing Agenda for Research, Technical Assistance, Legislation, Evaluation, Policy and Plans has also been laid out providing the various activities to address current gaps in health care financing.

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INTRODUCTION


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BACKGROUND

The Health Care Financing (HCF) Strategy of the Philippines 2023-2028 serves as the country's medium-term financing roadmap to support the implementation of reforms outlined in Republic Act (RA) 11223, also known as the Universal Health Care (UHC) Act. This law ensures equitable access to quality and affordable healthcare goods and services for all Filipinos and aims to provide financial risk protection. The HCF Strategy 2023-2028 details the strategies, interventions, milestones, and targets designed to achieve these objectives. It is anchored on key UHC reforms, including automatic membership of all Filipinos in the National Health Insurance Program (NHIP), integration of local health systems into province-wide and city-wide health systems (P/CWHSs), the establishment of health care provider networks (HCPNs) with financial integration, and the registration of every Filipino to a primary health care provider.

The HCF Strategy aligns with the long-term vision of Ambisyon Natin 2040, which aims for Filipinos to have a strongly rooted, comfortable, and secure life. In this context, the strategy supports key thrusts from both the medium-term national development plan and specific health policy directions. These include: a) The Philippine Development Plan (PDP) 2023-2028, particularly on promoting human and social development and reducing vulnerabilities to protect purchasing power; and b) the DOH's 8-Point Action Agenda for 2023-2028, which serves as the medium-term strategy of the health sector. This Strategy specifically aims to provide comprehensive access to preventive, promotive, curative, rehabilitative, and palliative care across all levels of healthcare, without causing financial hardship for individuals. Likewise, the timeframe of the HCF Strategy has been synchronized with the PDP, the current Administration's term, and the National Objectives for Health (NOH) to ensure cohesive implementation of development priorities and financing strategies.

This document builds upon the insights gained from the implementation of the HCF Strategy 2010-2020 and its assessment. It also addresses the financial implications of key developments, such as the UHC Act, the Mandanas-Garcia Case Ruling, and Executive Order (EO) No. 138 s. 2021, which emphasized devolved funding for the delivery of most health goods and services among Local Government Units (LGUs). Additionally, the strategies take into account the country's current fiscal constraints and rising inflation rates, all while maintaining a commitment to universal health care for all Filipinos.

HEALTH CARE FINANCING LANDSCAPE OF THE PHILIPPINES

According to the 2020 Global Health Expenditure Database (GHED), the Philippines lags behind its ASEAN peers in key financing indicators ranking 6th in terms of per capita health spending, 7th in government share to CHE, and 8th in OOP share in CHE. It is also noteworthy that the Philippines ranked third in terms of CHE as a percent of GDP, which occurred during an economic downturn caused by the COVID-19 pandemic.

The country's total health expenditure (THE) continued to grow over the years, but the financial burden continues to fall on households through out-of-pocket (OOP) spending. In 2022, OOP expenses accounted for 44.7 percent of the total Current Health Expenditure (CHE), making it the primary source of health funding in the country. As shown in Figure 1 from the Philippine National Health Accounts (PNHA), the major contributor to OOP spending is payments for medications purchased outside of healthcare facilities.

In 2022, the national government's share in health spending dropped from 26.6 percent to 20.9 percent of total CHE. The Department of Health (DOH) saw a significant increase in its share of spending between 2020 and 2021, likely due to funds from Bayanihan 1 and 2 for COVID-19 and significant budget reallocations. This also led to an artificial decline in OOP's share of CHE for that year. Meanwhile, local government spending on health increased from 8.5 percent of CHE in 2021 to 9.7 percent in 2022, although its share has remained relatively flat over the past decade. PhilHealth's share in health spending has decreased from 19 percent in 2018 to 13.0 percent in 2021, and saw a slight increase to 13.6 percent in 2022.

Table 1. Ranking of ASEAN Countries on Various Indicators for Health Expenditures, 2020

RANK	CURRENT HEALTH EXPENDITURE (CHE) AS % GROSS DOMESTIC PRODUCT (GDP)	CURRENT HEALTH EXPENDITURE (CHE) PER CAPITA IN US$	DOMESTIC GENERAL GOVERNMENT HEALTH EXPENDITURE (GGHE-D) AS % CURRENT HEALTH EXPENDITURE (CHE)	OUT-OF-POCKET (OOP) AS % OF CURRENT HEALTH EXPENDITURE (CHE) (ARRANGED FROM LOWEST TO HIGHEST)
1	Cambodia	Singapore	Brunei Darussalam	Brunei Darussalam
2	Singapore	Brunei Darussalam	Thailand	Thailand
3	**Philippines**	Malaysia	Indonesia	Singapore
4	Vietnam	Thailand	Malaysia	Indonesia
5	Myanmar	Vietnam	Singapore	Malaysia
6	Thailand	**Philippines**	Vietnam	Vietnam
7	Malaysia	Indonesia	**Philippines**	Lao People's Democratic Republic
8	Indonesia	Cambodia	Lao People's Democratic Republic	**Philippines**
9	Lao People's Democratic Republic	Myanmar	Cambodia	Cambodia
10	Brunei Darussalam	Lao People's Democratic Republic	Myanmar	Myanmar

Note: For the purposes of visual presentation, this column is arranged from ascending order from lowest to highest; Conversely, the first three columns are sorted in descending order, from highest to lowest values.
Source: GHED-WHO, 2022

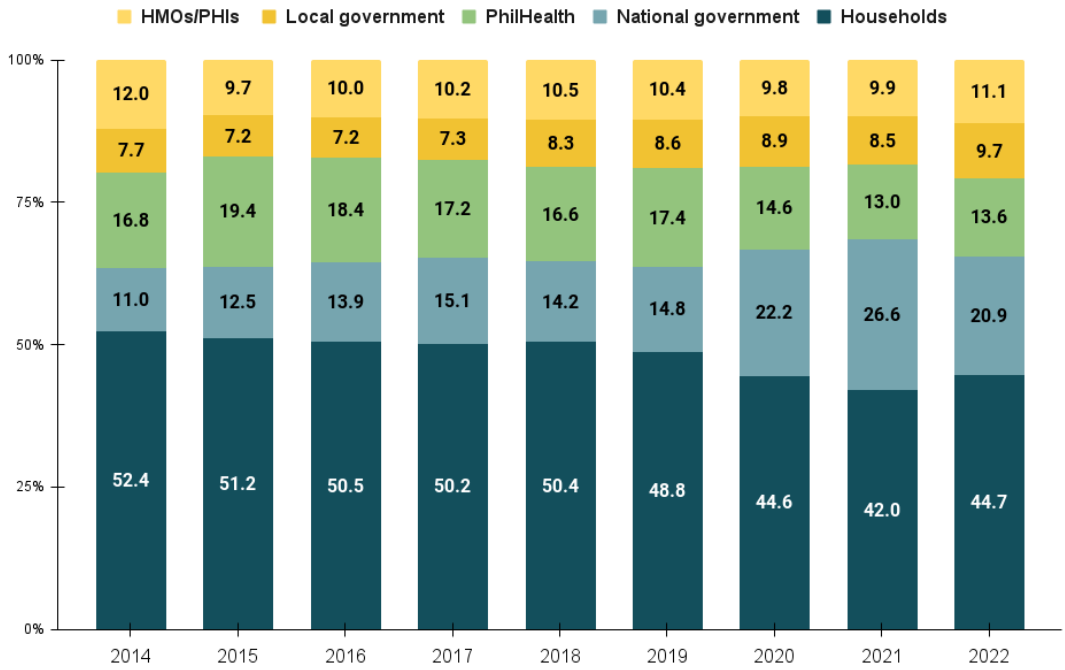


Figure 1. Current Health Expenditure by Financing Agent, 2022 (PNHA, PSA)

However, it is worth noting that in absolute terms, PhilHealth's expenditures are rising. On the other hand, private funding sources, such as health maintenance organizations (HMOs) and other private insurance, also increased their share in health spending from 9.9 percent in 2021 to 11.1 percent in 2022.

The flow of funds exhibited in Figure 2 on financing the healthcare sector of the Philippines is a multi-tiered process that involves various stakeholders and funding sources. Government health expenditures are primarily funded from general tax revenues collected by the Department of Finance (DOF). National Government agencies such as the Department of Health (DOH) and the Philippine Health Insurance Corporation (PhilHealth) receive annual budgets from the Department of Budget and Management (DBM). Additionally, local government units (LGUs) receive a share of the national revenue known as the National Tax Allocation (NTA), previously termed as Internal Revenue Allotment (IRA).

Within the healthcare sector, DOH appropriations support a wide range of services, including secondary and tertiary care, health infrastructure, equipment, medicines, and human resources. DOH also subsidizes PhilHealth premium contributions for the indigent population under the indirect membership of PhilHealth using the health earmarks generated from sin tax revenues.

Direct members of PhilHealth, on the other hand, pay their premium contributions to PhilHealth.

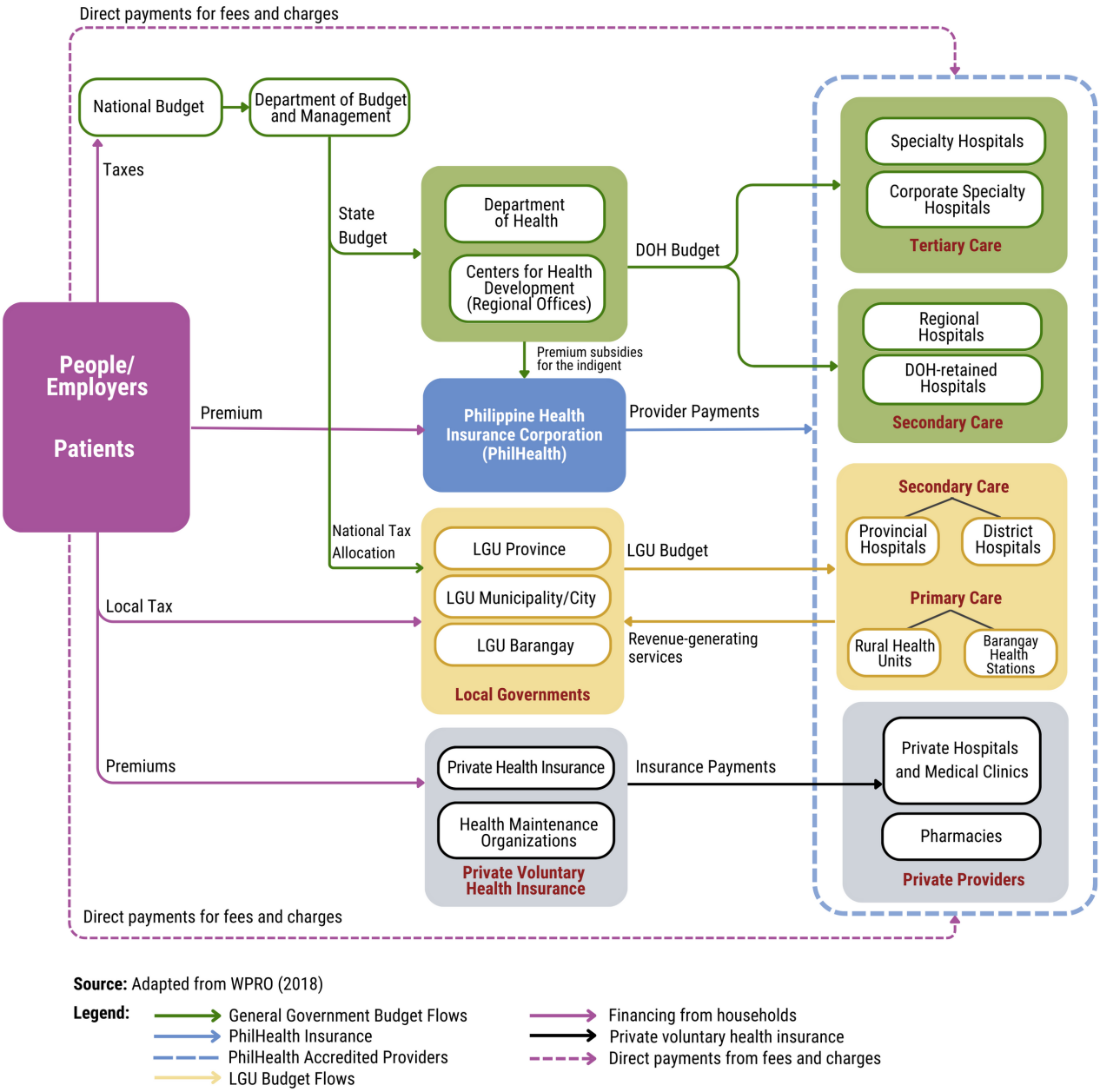
As the social health insurance agency, PhilHealth pools these funds to distribute the financial risk of paying for healthcare among its members, from healthy individuals to those more illness-prone. PhilHealth then purchases services from accredited healthcare providers based on its policies for benefit coverage and entitlements. Additionally, the DOH and other National Government Agencies and the local government also provide various forms of medical and/or financial assistance to complement PhilHealth in its health coverage, as well as mandatory discounts for some populations provided by law.

In the context of availing inpatient care, patients frequently find themselves in the position of directly paying healthcare providers for the remaining balance of their hospital bills as out-of-pocket (OOP) expenses. This occurs when government coverage falls short and when certain medicines, medical supplies, or services are either not covered by PhilHealth, such as drugs not listed in the Philippine National Formulary (PNF), or when they are unavailable at the healthcare facility, prompting patients to seek treatment needs elsewhere and incurring OOP expenses. The majority of OOP expenses are also encountered in outpatient care, including regular check-ups with physicians and the acquisition of home and maintenance medications, among other healthcare-related costs.

Some individuals opt for Voluntary Health Insurance, usually in the form of Private Health Insurance (PHI) and/or Health Maintenance Organizations (HMOs), to supplement their health coverage, resulting in double premium payments to PHI/HMOs as well as PhilHealth. In the same way, PHI/HMOs pay their accredited providers to purchase covered services based on contractual obligations with their members.

Local government units mobilize funds from both external and internal sources, which are allocated to various programs, including healthcare. LGUs also earn income from PhilHealth through their accredited health facilities. While official development assistance plays a role in healthcare financing, its impact remains relatively minimal in the overall funding landscape. This interplay of funding sources underscores the complex nature of healthcare financing in the Philippines.

Figure 2. Financial flow in Philippine health system



Source: Adapted from WPRO (2018)

Legend:
- General Government Budget Flows
- PhilHealth Insurance
- PhilHealth Accredited Providers
- LGU Budget Flows
- Financing from households
- Private voluntary health insurance
- Direct payments from fees and charges

CONTINUING CHALLENGES IN HEALTH FINANCING

Health financing is a crucial element for the successful implementation of Universal Health Care. Health financing systems can directly influence overall attainment of health systems and UHC goals in any country (Kutzin, 2013).

Although the COVID-19 pandemic demonstrated the ability of the government to increase health funding, the implementation of key health reforms under the UHC Act has been delayed. Further, the assessment of HCFS 2010-2020 and recent policy changes has identified the following key challenges and opportunities that must be considered:

1. LIMITED FISCAL SPACE FOR HEALTH

Funds for implementing the UHC Act come from multiple sources, including excise taxes, shares from the Philippine Amusement and Gaming Corporation (PAGCOR), funds from the Philippines Charity Sweepstakes Office (PCSO), member premium contributions to the NHIP, annual DOH appropriations, national government subsidies to PhilHealth, and supplemental funding. However, funding Universal Health Care (UHC) in the country remains a challenge due to the fiscal situation. In 2022, the national government had a budget deficit of Php 1.6 trillion, equating to 7.33 percent of the GDP for the year.

The budget gap for December 2022 also increased from Php 338 billion in 2021 to Php 378.4 billion. Interest payments for 2022 reached Php 502.9 billion, a 17.10 percent increase from the previous year, primarily due to tightened monetary policies to combat inflation, resulting in higher borrowing rates.

However, the National Economic and Development Authority (NEDA) and the Bangko Sentral ng Pilipinas (BSP) have optimistic economic projections. They expect real GDP growth to be between 6.5 percent to 8 percent from 2023 to 2028, compared to 7.6 percent in 2022, and inflation to decrease from 5.8 percent in 2022 to 2.0 percent and to 4.0 percent from 2024 to 2028. This potential improvement offers an opportunity for a larger government budget that can benefit various sectors, including healthcare (NEDA-BSP, 2023).

The projected costs of fully implementing the UHC Act are expected to far exceed available public funding. According to the UHC Medium Term Expenditure Program (MTEP) for 2022-2026, the DOH Office of the Secretary (OSec) and PhilHealth will need a budget between Php 1.22 trillion (in a low scenario) and Php 2.34 trillion (in a high scenario) to support UHC implementation. This is expected to result in a funding gap ranging from Php 163 billion to Php 1.28 trillion, based on projected fiscal space for health, which already accounts for projected increases in health earmarks from excise taxes. These figures only consider the budgetary requirements from the DOH-OSec and PhilHealth to implement UHC.

Table 2. Funding Gap for UHC Across Scenarios, CY 2022-2026 (in million pesos)

YEAR	FISCAL SPACE EARMARKED FOR HEALTH (A)	MTEP REQUIREMENTS FOR NG SUBSIDY (B)			RESOURCE GAP OR FUNDING GAP (C)=(A-B)		
		HIGH	MEDIUM	LOW	HIGH	MEDIUM	LOW
2022	237,020	573,059	456,531	329,698	-336,039	-219,511	-92,678
2023	225,378	570,159	401,053	306,974	-344,781	-175,675	-81,596
2024	250,921	577,021	414,535	305,376	-326,100	-163,614	-54,455
2025	275,853	597,639	435,460	311,984	-321,786	-159,607	-36,131
2026	305,219	593,647	432,740	296,083	-288,428	-127,521	9,136
MEDIUM-TERM TOTAL (2023-2026)	**1,057,371**	**2,338,466**	**1,683,788**	**1,220,418**	**-1,281,095**	**-626,417**	**-163,047**

In the case of PhilHealth, sustaining the universal provision of comprehensive benefit packages is unlikely at its current revenue levels. Estimates indicate that upon full rollout of PhilHealth Konsulta—where all Filipinos are expected to enroll and have an initial patient encounter—the projected total capitation payment from PhilHealth will be around Php 41.7 billion with a 33 percent performance rate, Php 56 billion with a 67 percent performance rate, and Php 69.7 billion with a 100 percent provider performance rate. Across these three performance scenarios, the NHIP faces a deficit ranging from Php 34.5 billion to Php 62.5 billion. Although the reserve fund, amounting to Php 111 billion as of December 30, 2020, can currently absorb this deficit, the NHIP fund might become depleted within a few years of PhilHealth Konsulta's full implementation unless corresponding increases in revenue are realized.

The UHC Act mandated the automatic inclusion of all Filipinos in the NHIP, in principle, expanding its population coverage to 100 percent. However, the ideal levels of premium collections began declining in 2020, which could eventually undermine the sustainability of the PhilHealth fund. While the UHC Act mandated automatic entitlement for all Filipinos to PhilHealth benefits, premium payments remain voluntary for those not formally employed, classified as Direct Contributors under the Informal Economy or Voluntary Membership (DOH, UHC-IRR).

In addition to these challenges, despite increases in government health spending over the last decade, there are still critical gaps in the health system that require investment, such as health facilities, human resources for health, and primary care.

Local Government Units (LGUs) in the Philippines have called for more fiscal transfers to address the lack of funds to finance devolved functions, unclear delineation of power and authority, and disparities in financial resources and health spending among LGUs (SEPO, 2020a). In 2022, LGU contribution to general government health spending was only 22 percent, while the average annual rate of increase for local health spending from 2014-2022 was only 14.4 percent, lower than that of the national government, which is at 23 percent. LGU shares in health spending from 2014 to 2022 have remained low, averaging 8.8 percent as a percentage share of total CHE (PSA, 2021).

The Mandanas-Garcia Case ruling increased the share of LGUs from 31.2 percent to 40 percent of national taxes, providing them with more fiscal space. LGU allocation went up from Php 695.5 billion (share from 2021 IRA) to Php 929 billion (share from 2022 NTA), constituting 19.10 percent of the 2022 national budget (SEPO, 2020a). However, Local Budget Memorandum No. 85 for 2023 stated that the NTA for LGUs will be determined based on 2020 tax revenues, potentially leading to significant reductions in allotments among LGUs, especially given their varying capacities to generate local revenues.

As for funding health in LGUs, varying amounts from their general funds were allocated to healthcare since these funds were not solely intended for health purposes. To address this, the UHC Act mandated managerial and financial integration for LGUs committed to integrating their local health systems.

All health-related income, such as those derived from PhilHealth, grants and subsidies from the DOH, and financial grants and donations from development partners, will be consolidated and used only to finance population-based and individual-based health services. Remuneration for additional health workers and incentives for all health workers will be readily available and accessible to all providers within their respective local health systems (Villaverde, et al, 2022). Through this mechanism, in integrated province-/city-wide health systems, it is seen as a key instrument to earmark funds exclusively for the delivery of health services at the local level. However, as of this writing, no LGUs have achieved financial integration.

2. FRAGMENTED POOL OF FUNDS IN THE HEALTH SECTOR

The fragmentation of funds in the health sector is primarily driven by a combination of systematic factors. One major factor is the decentralization of the delivery of basic health care services from the national government to the LGUs by virtue of the Local Government Code of 1991 (Republic Act No. 7160). The decentralization has led to varying levels of resource allocation at the local government level, resulting in inequities in healthcare funding across regions. This is observed in wealthier areas that tend to have better-funded local health care systems, while poorer areas struggle with inadequate funding and

insufficient resources to deliver quality health care services. In terms of governance, there is a lack of centralized control over resource allocation due to devolution, making it difficult to ensure that resources are distributed equitably. As further discussed in this document under major reforms for health care financing, the DOH-NNC Devolution Transition Plan (DTP) provides the delineation of health care services and/or resources to be financed by LGUs versus the national government. The said transition has yet to be implemented.

Another factor contributing to this issue is the existing funding sources at the national and local level. Various laws were legislated prior to the UHC Act, which further fragment financing. These laws provide medical and financial assistance to support coverage for individual-based services that should have already transitioned to be fully financed by PhilHealth.

While the UHC Act delineated the financing for individual-based health services to be financed by PhilHealth and population-based services to be financed by DOH and LGUs such a clear delineation in financing has yet to be fully realized. Additionally, the absence of effective coordination mechanisms among different health programs and agencies exacerbates these disparities, hindering efforts to provide consistent and accessible healthcare services nationwide.

3. CHRONIC UNDERINVESTMENT IN PRIMARY CARE

Despite the growth in overall health spending over the past decade, investment in primary care delivery systems, including funding to establish primary care facilities, remains low in the country, with a per capita spending for primary care, at around USD 52 (Maele et al., 2019). The country's spending on primary care, as indicated by the spending for ambulatory care as a proxy indicator, is stagnant at 4 percent share to CHE from 2014 to 2022. While hospital care is naturally expected to get a larger share of spending due to higher costs, a boost in primary care investment would be more cost-effective.

The UHC Act and the PDP 2023-2028 aim to build robust Primary Health Care (PHC)-oriented local health systems.

The DOH has adopted PHC as a guiding principle and highlights the role of primary care providers in delivering a range of initial-contact services "for all presenting conditions," acting as the initiating point for a continuum of care, and coordinating referrals as needed (DOH, 2020).

Despite the intention to move primary care, supply issues remain to be a significant bottleneck for effective PHC in the Philippines. About half the population lacks timely access to Rural Health Units (Flores et al, 2021), and there is a critical and unevenly distributed shortage of healthcare staff (DOH, 2018). Particularly, only 25 percent of barangays had dedicated health workers as of 2018. Current efforts on the Comprehensive Outpatient Benefit Package (COBP) and primary care provider networks (PCPNs), which aim to address both capacity and investment gaps in primary care, are still being developed and their benefits are yet to be realized.

Konsulta, launched in 2018, serves as an interim package as the country transitions to the COBP. However, the implementation of such programs has faced operational issues and has not been widely adopted, hindering their potential impact. This is reflected in the minimal share of primary care payouts to PhilHealth's total benefit payments at only less than 1 percent in 2022.

As a result, the Philippines lags in many PHC tracer indicators. According to the Global Health Observatory (2021), the country's Universal Health Coverage Service Coverage Index (SCI) scores at 58 percent is relatively low compared to regional and global peers (WB, 2023). During the COVID-19 pandemic, access to these essential services worsened, particularly for vulnerable populations (Maravilla, et al., 2023; Amit, et al., 2021; Bayani & Tan, 2021). The rising incidence of non-communicable diseases (NCDs) also further highlights the need for investment in long-term, preventive, and integrated care. Recent evidence shows that ambulatory care-sensitive conditions (ACSCs) make up a significant proportion of hospital admissions, indicating weak primary care systems that are unable to address ACSCs either earlier in disease progression or at a less resource-intensive level of care (Flaminiano, et al, 2022).

4. HIGH OUT-OF-POCKET HEALTH SPENDING

High out-of-pocket (OOP) health spending remains a significant challenge in the country, leading to disparities in access to healthcare services. While there has been positive growth in government health spending, the persistent issue of substantial and unpredictable OOP expenses should ideally decrease through various health financing mechanisms, including provider payment methods and strategic purchasing of health services. According to the National Health Expenditure Survey (NHES), 61 percent of those who received inpatient care experienced OOP expenses, while 44 percent for outpatient care. In terms of catastrophic health expenditure, 30.3 percent for inpatient care at the 10 percent threshold and 1.3 percent for outpatient care. This means that among all individuals who utilized inpatient care, 30.3 percent paid out of pocket an amount exceeding 10 percent of their total household expenditure for the past six months (Javier et al., 2021).

As a social health insurance program, PhilHealth is expected to provide financial risk protection, especially for the most vulnerable members of the population. However, despite increases in PhilHealth's expenditure in absolute terms, its share to the total CHE has consistently declined over the years, dropping from 19.4 percent in 2015 to 13.6 percent in 2022.

Unpredictability of OOP payments can pose financial challenges for specific groups, such as indigents, senior citizens, and sponsored members of PhilHealth. These groups are supposedly eligible for No Balance Billing, yet reports suggest otherwise. According to the PhilHealth Annual Report in 2019, only 83 percent of individuals from marginalized sectors were able to benefit from the zero OOP expense policy for hospitalization. In addition, PhilHealth's support value only averaged to 55.8 percent from 2018 to 2021.

It is worth noting that the poor (1st quintile) and near poor (2nd quintile) still pay a substantial amount of health expenditure totalling 32.6 percent of the total CHE in 2022. Though this does not represent the OOP spending of these income groups, we can see that they contribute almost a third of the total CHE for 2022, depicting a weak financial protection accorded to them by the health system.

According to a study by Ulep and dela Cruz (2021), pharmaceutical spending is a significant driver of out-of-pocket spending in the Philippines using the 2009 round of Family Income and Expenditure Surveys (FIES). Specifically, another study reported that pharmaceutical products account for nearly half (49.7 percent) of the total OOP, followed by expenses for professional services (34.5 percent), and hospital services (15.8 percent) (Obermann K, Jowett M, Kwon S., 2018). Based on the PNHA, pharmaceutical spending constitutes 19.2 percent of CHE in 2021.

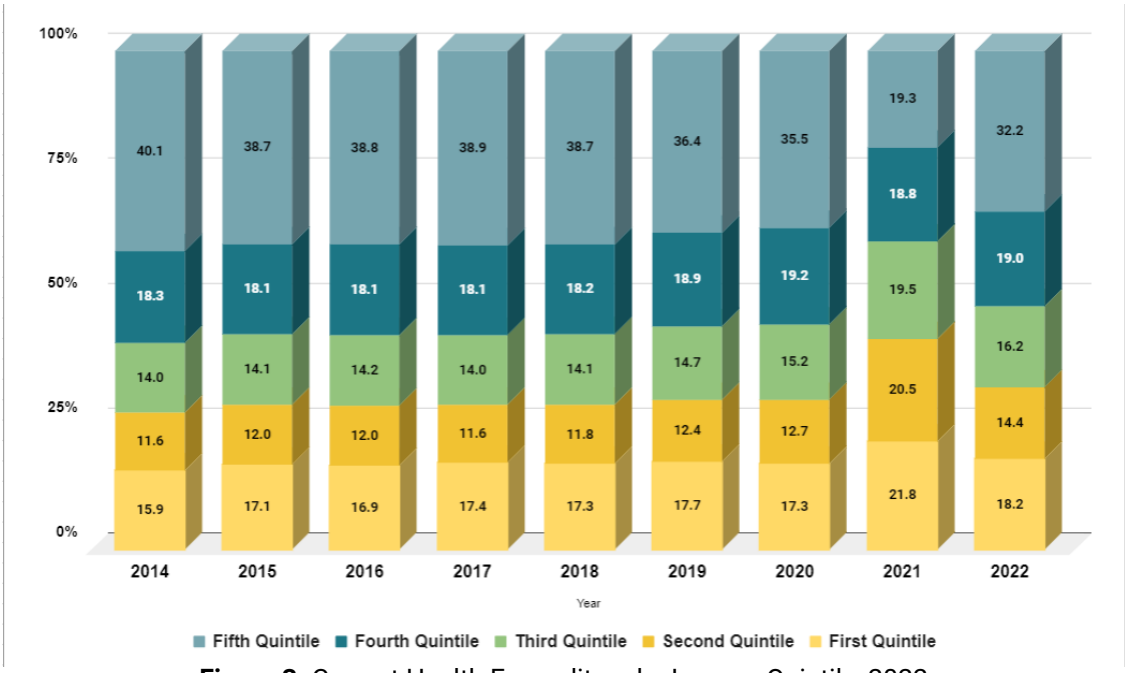


Figure 3. Current Health Expenditure by Income Quintile, 2022

5. INADEQUATE CAPACITY TO IMPROVE BUDGET EXECUTION

Although fiscal space may be constrained, there remains potential budget space available for UHC implementation. The allocation of sin tax revenues for health has been a positive development over the past decade. Included in the General Appropriations Act (GAA), sin tax incremental revenues reached a peak of PhP 270 billion in 2022, primarily dedicated to enrolling indigent, sponsored, and senior citizen members in PhilHealth. Major drivers of the increase in DOH-OSEC budget (from 2020 to 2021) are directed for Public Health Programs, HRH Deployment Program and the Medical Assistance to Indigent Patients Program.

However, the full potential of this expanded health budget has not been realized. Unreleased appropriations to the DOH in 2020 amounted to PhP 4.2 billion, making the Department the third highest among agencies with unreleased appropriations for that year (COA, 2020). Between 2018 and 2022, the average utilization rate by obligation stood at 91 percent, and by disbursement, it was 76 percent—both falling short of their respective targets of 95 percent and 85 percent. As of the end of 2022, the obligation rate dipped to 87.5 percent, while the disbursement rate rose to 79.4 percent. These gaps resulted in a significant amount of foregone revenues for health, with unobligated allotments reaching PhP 26.2 billion and unreleased appropriations at PhP 2.8 billion (DOH, 2022).

PhilHealth is also faced with various governance issues. For instance, the Commission on Audit (COA) reported in 2021 that PhilHealth's All Case Rate Payment Scheme sped up the reimbursement process but lacked control mechanisms to detect and prevent improper payments. COA also examined PhilHealth's existing control mechanisms to prevent and detect improper payments and found that these were deficient and underperforming due to the deficiencies in the design and performance of controls, insufficiency of human resources, and inadequacy of strategy to mitigate the effects of the first two problems (COA, 2021 Audit report).

The ongoing concerns about PhilHealth's governance and accountability contribute to public reluctance to make additional contributions (PDI, 2023).

These concerns are exacerbated by the fact that PhilHealth has an expanding reserve fund, which raises questions about whether those funds could be more effectively used for the benefit of its members.

MAJOR REFORMS IN HEALTH CARE FINANCING

Following the release of HCFS 2010-2020, several reforms were actively pursued and being implemented to enhance health care financing. Key policies include the following:

Universal Health Care (UHC) Act (RA No. 11223). The signing of the UHC Act in 2019 had several significant impacts on the healthcare system in the Philippines. It led to the automatic inclusion of all Filipinos into the NHIP, which provided service coverage through the provision of population and individual-based health services, as well as financial coverage through resource pooling and new provider payment mechanisms. The main goal of these reforms was to protect the population from financial risks due to health-related expenditures. All Filipinos shall register with a public or private primary care provider (PCP) of their choice. Population-based health services will be provided by the DOH-contracted P/CWHSs. While for individual-based health services, PhilHealth-contracted health care provider networks (HCPNs) will deliver comprehensive care from primary to tertiary levels in an integrated and coordinated manner. HCPNs can either be public, private, or mixed.

P/CWHSs are mandated to achieve managerial and financial integration to guarantee financing for population- and individual-based health services, capital investments, health system operating costs, remuneration of additional health workers, and incentives for all health workers in accordance with existing applicable laws.

The sources of funds for the implementation of the UHC Act are the following: a) total incremental sin tax collections as provided for in RA 10351 (Sin Tax Reform Law); b) fifty percent (50%) of the national government share from the income of the PAGCOR; c) forty percent of the charity fund, net of documentary Stamp Tax Payments, and mandatory contributions of the PCSO, where both the funds from PAGCOR and PCSO shall be used by PhilHealth to improve its benefit packages; d) Premium contributions of Philhealth members;

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e) annual appropriations of the DOH included in the GAA; and f) national government subsidy to PhilHealth included in the GAA.

Sin Tax Laws: Republic Act (RA) No. 10351 "Sin Tax Law of 2012", amended by RA 11346 "Tobacco Tax law of 2019" and RA No. 11467 "New Sin Tax Reform Law of 2020". RA No. 10351, also known as the Sin Tax Law of 2012, was primarily enacted to promote public health by discouraging vices and modifying risky behaviors, particularly in relation to the consumption of tobacco and alcohol. Its secondary objective was to generate revenue for healthcare financing. Recently the 2012 law was further transformed to two sin tax laws in 2019 and 2020 namely RA 11346 and RA 11467 respectively, repealing RA 10351, which now collect total excise taxes from alcohol, tobacco, and two (2) additional sin products: Heated Tobacco Products (HTPs)/vapor products and sugar-sweetened beverages (SSBs).

The collected taxes from these laws are earmarked for health as follows: 50 percent of the total tax collection of tobacco and SSB will be for health; while 100 percent of taxes collected from alcohol and HTPs/vapor products will be solely for health. These funds were specifically earmarked for the implementation of UHC Act, premium subsidies for indigent members in the NHIP, medical assistance, HFEP, and the attainment of Sustainable Development Goals (SDG) as determined by the NEDA (DOH, 2022). The year 2022 was the first year of implementation of the new earmarking provisions for health collected from the total excise taxes on alcohol products, tobacco products, HTPs/vapor products and SSBs.

The Sin Tax revenues has greatly contributed to the significant increase in the annual appropriations for DOH-OSEC and PhilHealth in the GAA. The 2022 budget increased by almost five-fold higher than its 2013 budget.

8 Point Action Agenda as the Medium-Term Strategy of the Health Sector for 2023-2028. The 8-Point Action Agenda (Figure 4) places every Filipino at the center of healthcare reforms, emphasizes community involvement in health promotion and recognizes the vital role of healthcare workers in our health sector. It is designed with an emphasis on action to fast-track health sector improvements, focusing on the tangible outcomes for every Filipino, every community, and every healthcare worker and health institution, with the vision of making Filipinos among the healthiest people in Asia by 2040. The 8-point agenda emphasizes three health sector goals namely: better health outcomes, stronger health systems, and access to all levels of care. Health financing which cuts across all these goals is expected to push forward priorities in improving health outcomes specifically through the primary health care approach and providing access to health services at all levels of health care, without financial hardship.

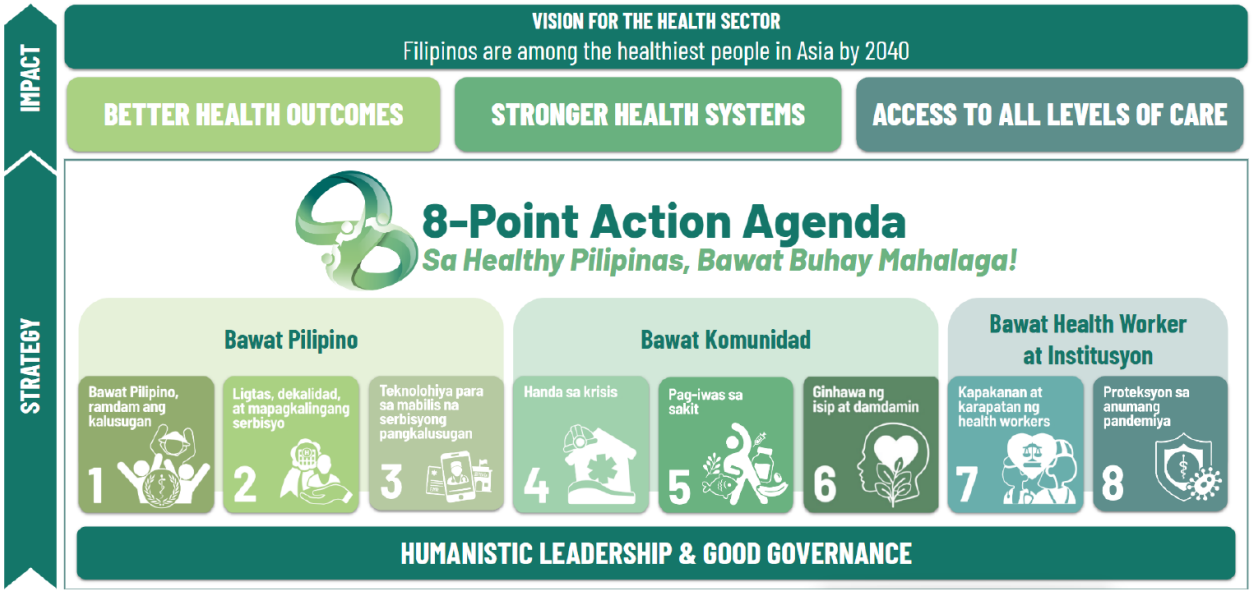

Figure 4. Strategy Map of the 8-Point Action Agenda as the Medium-Term Strategy of the Health Sector for 2023-2028

Devolution Transition Plan (DTP) by virtue of Executive Order (EO) 138 s. 2021. The Supreme Court Ruling on the Mandanas-Garcia Case which provides for the increase in the National Tax Allocation of LGUs, and Executive Order 138 series of 2021 which provides for the full devolution of certain functions of the Executive Branch to the Local Governments Units are major fiscal reforms that will have an impact on health reforms. These are expected to significantly increase the amount of resources to be managed by the LGUs. In 2022, Internal Revenue Allotment (IRA) is seen to increase by P263.5 billion or 37.9 percent to a total of P959 billion (Diaz-Manalo et.al, 2021), and this was achieved as confirmed by budget data on NTA for LGUs in the 2024 NEP.

With the greater allocation for LGUs, the national government agencies will need to recalibrate its implementation of programs at the local level through the implementation of the Joint DOH-NNC's Devolution Transition Plan (DTP) which details the delineation of financing between DOH and LGUs on health infrastructure and other capital investment, epidemiology and surveillance, human resources for health and public health commodities. These re-devolved responsibilities and functions, together with the additional funding accorded by the Mandanas-Garcia ruling to the LGUs, complement the reforms that will be implemented under the UHC Act. The DTP also details the different opportunities for the LGUs to take part in the different health financing strategies that are outlined in this report.

Social Protection Program of the Philippine Government. The Philippines Social Protection program aims to empower and protect its poor, vulnerable and disadvantaged people within the framework of inclusive development goals and poverty reduction strategy of the country (ILO, 2023).

The Philippines is currently enhancing its social protection program, aligning it with global standards and striving for universal coverage. Recent legislation has been enacted to address issues such as maternity protection, restructuring the Social Security System, implementing unemployment insurance, and extending coverage for migrant workers. This expansion is evident in the increased national expenditure and the number of beneficiaries, signaling progress in this endeavor. However, there remain challenges to overcome, including achieving universal coverage, ensuring the adequacy and sustainability of benefits, streamlining fragmented programs, and finding a balance between passive and active labor market interventions while maintaining work incentives. Moreover, in a country prone to natural disasters and the impacts of climate change, social protection programs must also address emerging risks and promote resilience in the population.

The government's Enhanced Social Protection Operational Framework defines four major components: social insurance, social welfare, labor market interventions, and social safety nets. While various programs exist under these components, they are often implemented in an ad hoc manner, scattered across different regions, managed by multiple institutions, and tend to be underfunded. This situation highlights the need for improved coordination to reduce fragmentation and overlap in beneficiary targeting. Social Insurance for health is provided through the National Health Insurance Health Program (NHIP) or PhilHealth which serves as the primary purchaser of health services in the country. PhilHealth is expected to provide financial risk protection for the Filipinos when accessing health services. However, at the executive level, various member agencies of the social development cluster on the sub-committee on social protection (SDC-SCSP) implement social protection programs that often overlap and duplicate one another. Therefore, there is a pressing need to align all these social protection programs with PhilHealth's benefit to maximize member's availment and rationalize its implementation. Futher details on this matter are discussed in strategic objective number 3 of this document.

Other health financing relevant legislations. Various legislations enacted prior to the Universal Health Care (UHC) Act aim to ensure equity and efficiency in health financing. Funding for these laws is included in the DOH GAA.

- ***RA No. 11463, or the Malasakit Centers Act***, was signed in 2019. It mandates the establishment of Malasakit Centers in DOH hospitals and the Philippine General Hospital to offer both medical and financial assistance to indigent and financially-incapacitated patients. These centers facilitate access to various financial assistance programs from the DOH, Department of Social Welfare and Development (DSWD), Philippine Charity Sweepstakes Office (PCSO), other government agencies, local government units (LGUs), NGOs, and private institutions. Funding for this financial assistance is sourced from sin tax which becomes part of the appropriations of the DOH, and earmarked for medical assistance. In 2022, the budget for the medical assistance fund for indigents was at PhP 21.4 billion, a significant increase from PhP 10.4 billion in 2020.

- ***RA 11215, or the National Integrated Cancer Control Act (NICCA)***, was enacted in 2018. This established the Cancer Assistance Fund (CAF) to support cancer treatment and medicine assistance programs in both public and private DOH-licensed cancer centers. In 2022, PhP 529 million was allocated for the CAF under the DOH 2022 GAA, up from its PhP 120 million allotment in 2021, when this was first included in the DOH GAA.

- ***RA 11036, or the Mental Health Act,*** was signed into law in 2017 to enhance the delivery of integrated mental health services at all levels of the national health care system. Through this Act, the DOH is mandated to fund the establishment of community-based mental health care facilities across the country and to provide population-based health services aimed at improving the mental health and well-being of the population. An amount of Php 809 million was allotted for Mental Health in the 2022 GAA.

These pivotal policies and legislations exert substantial influence over the allocation and disbursement of resources within the healthcare sector among various financing agents. Guided by the overarching vision of the PDP and the actionable directives in the DOH's 8-Point Action Agenda, the medium-term challenge for this administration focuses on leveraging and enhancing various tools to address persistent issues in healthcare financing and financial risk protection for all Filipinos.

In line with this, the Health Policy Development and Planning Bureau (HPDPB) through its Health Care Financing (HCF) Group, spearheaded the development of the HCF Strategy of the Philippines 2023-2028 towards Universal Health Care. With support and technical assistance from the Asian Development Bank and USAID-ProtectHealth, the group conducted extensive consultations involving key offices from DOH and PhilHealth, Centers for Health Development (CHDs), and DOH Hospitals. The group also engaged HCF stakeholders from other National Government Agencies such as NEDA and DBM, as well as legislators and health experts from development partners, academia, the private sector, and other relevant institutions to collaboratively shape this strategy.

High-Level Policy Forum: Health Care Financing Strategy 2023-2028 on April 12, 2023

The Health Care Financing Strategy Framework

To achieve universal health coverage, health financing systems must be designed to: a) provide all people with access to needed health services, including prevention, promotion, treatment, and rehabilitation, that are of sufficient quality to be effective; and b) ensure that the use of these services does not expose the user to financial hardship (WHO, 2010). The four (4) objectives of the HCF Strategy 2023 - 2028, as shown in Figure 4, work together to support the implementation of the 8-Point Action Agenda and address the challenges in the health financing system.

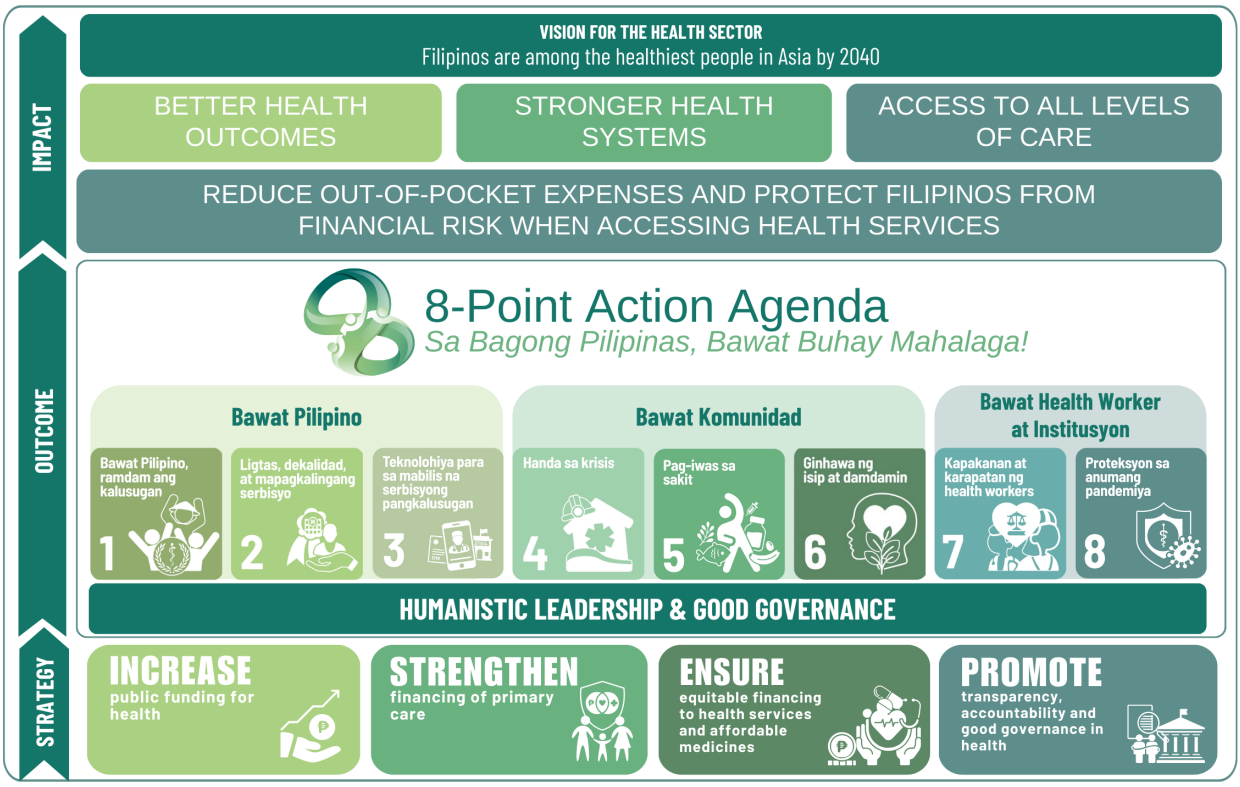

Figure 5. Health Care Financing Strategy of the Philippines 2023-2028 Framework

The strategy focuses on the interventions under the different health financing functions defined by the World Health Organization (WHO):

- **Revenue Raising.** The health services are predominantly publicly funded and OOP payments are significantly reduced.
- **Risk Pooling.** All Filipinos are supported by pooled funds to ensure social solidarity, where the rich care for the poor and the healthy care for the sick.
- **Strategic Purchasing.** Financing should ensure equitable access to quality and affordable healthcare packages with a clear delineation of purchasing and financing roles among Financing Agents.
- **Governance.** Increased fiscal and budget space through efficient use of the existing government budget, as well as improved transparency and accountability in health financing.

The HCF Strategy contributes to the attainment of the intermediate outcomes of UHC on:

- **Service coverage.** Ensuring that all Filipinos have access to needed health services, including prevention, promotion, treatment, and rehabilitation, that are of sufficient quality to be effective;
- **Equity and efficiency in service use.** Promoting fair and effective utilization of health services with preferential regard for the unserved or underserved;
- **Efficiency in service production (quality)**. Enhancing the quality and efficiency of health service delivery; and,
- **Transparency and accountability.** Establishing mechanisms for monitoring and evaluating the performance of the health financing system.

The primary aim of the HCF Strategy 2023 - 2028 is to reduce out-of-pocket expenses and protect Filipinos from catastrophic healthcare expenditures, thereby achieving financial risk protection when accessing health services. This, in turn, contributes to the attainment of the health sector goals of better health outcomes, stronger health systems, and access to all levels of care. The ultimate objective is to realize Universal Health Care and fulfill the sector's vision of making "Filipinos among the healthiest people in Asia by 2040".

To operationalize the HCF Strategy of the Philippines 2023 - 2028, each of the four (4) strategic objectives considered both supply-side and demand-side interventions to ensure that every Filipino has equitable access to comprehensive, quality health care, with a focus on primary care connected to higher-level facilities. These interventions extend beyond identifying policies; they also include specific interventions to effectively implement reforms and ensure financial risk protection for all.


Photo credits: USAID's ProtectHealth/Palladium

Health Care Financing Strategic Objectives

This section discusses the four (4) strategic objectives of the HCF strategy for this medium-term: Strategic Objective 1 seeks to increase public funding for health, Strategic Objective 2 aims to strengthen the financing of primary care, Strategic Objective 3 underscores the commitment to ensure equitable financing to health services and affordable medicines, and lastly, Strategic Objective 4 prioritizes the promotion of transparency, accountability, and good governance in health. Further, discussion of each strategic objective includes the interventions to be implemented to attain each strategic objective. It also provides the milestones across the medium term, specifically for years 2024, 2026, and 2028, to guide respective offices and stakeholders in the implementation of the Strategy.

By pursuing these strategic objectives, its outcomes will contribute to the goal of the HCF strategy to reduce OOP expenses and protect individuals from catastrophic healthcare expenditures, aligning with the overarching goal of achieving UHC.


Increase public funding for health
Strengthen financing of primary care
1
2
3
4
Ensure equitable financing to health services and affordable medicines
Promote transparency, accountability, and good governance in health

01 Strategic Objective

Increase public funding for health

Strategic Objective 01

Increase public funding for health

Substantial, sustainable, and reliable funding sources are essential to effectively support and implement the UHC Act. The expansion of population coverage, health benefits and financial protection for Filipinos require significant budgetary resources. One way to facilitate this is to move away from high household out-of-pocket (OOP) payments toward a predominantly publicly-funded healthcare system.

As discussed in the previous section, general government spending— which comprises contributions from the central and local governments, as well as PhilHealth— accounts for as much as the household out-of-pocket (OOP) payments, at 44.2 percent and 44.7 percent, respectively. In the medium term, the PDP 2023-2028 aims to reduce the proportion of OOP spending to CHE from 44.7 percent in 2022 to 28.1 percent by 2028. This shift necessitates an increased reliance on government funding for healthcare and will gradually transfer the burden of healthcare financing from households to the government.

Adequacy, sustainability, and predictability of health funding are strongly influenced by several factors, including the country's fiscal position, the level of government funding for health both at the national and local levels, and premium collections that finance the NHIP. With regard to local government funding, the increase in national tax allocation to LGUs, due to the implementation of the Mandanas-Garcia Case Ruling and EO 138 s. 2021, is viewed as an opportunity to expand available fiscal resources for healthcare. However, current health spending by LGUs is generally insufficient. Thus, there is a need to strengthen support for the formation of integrated local health systems and HCPNs whose financial integration is critical for the successful implementation of UHC at the local level.

lThis ensures that resources intended for health services are appropriately allocated, covering population-based and individual-based health services, remuneration for additional health workers, and incentives that are both readily available and accessible to all healthcare providers in their respective local health systems. Additional potential sources of health funding could include official development assistance (ODA) and engagement with the private sector. The identification and enrollment of the informal sector into the NHIP should also be explored as a means to finance UHC priority interventions.

The following are the interventions to implement this strategic objective:

Raise taxes on sin products and other unhealthy behaviors/factors affecting health. The Sin Taxes and its amendments sustainably provided for the much needed investment requirements to implement the various health reforms. In terms of consumption, the prevalence of smoking among adults declined from 23.8 percent in 2015 to 19.5 percent in 2021 (GATS, 2021). This observed change in consumer behavior may suggest that sin tax revenues could be a sustainable source of health funding in the long term. However, it should be noted that this revenue may eventually cease if a considerable decrease in consumption is achieved, aligning with the public health objective to reduce harmful behaviors. Given the downward trend in tobacco consumption, there is a need to explore other unhealthy products, such as those high in sodium, or technologies that contribute to unhealthy behaviors that may be considered for sin taxation. In addition, taxes from other sectors, such as a carbon tax, offline gaming operators, and other commercial determinants of health (WHO, 2023), may also be earmarked for health to increase public health funds.

Empower LGUs to spend more for health. This intervention recognizes the varying levels of financial and technical capacities among LGUs to fully deliver the health services devolved to them. The aim is to equip LGUs with the skills to manage and finance health services effectively. This includes providing technical guidance in health planning, budgeting, and procurement to align subnational health initiatives with national development priorities. It also calls for the integration of these initiatives into the LGUs' Local Investment Plan for Health (LIPH) to secure funding and ensure successful implementation. Moreover, agencies such as the DOH, PhilHealth, the COA, DILG, and others are tasked with providing necessary support to help LGUs in forming their Provincial/City-wide Health Systems (P/CWHS) and Health Care Provider Networks (HCPNs) with financial integration. Additionally, the DOH will consult with the DBM to explore the use of inter-governmental transfers, which would enable financial assistance to LGUs through automatic allocations.

Currently, the DOH and PhilHealth are conducting demonstration studies on UHC reforms to simulate the implementation of various policies. These include the use of policy instruments for forming HCPNs and achieving financial integration in select UHC Integration Sites (UHC IS). The results of these studies are expected to guide further refinement in the design and implementation of these policies, paving the way for a nationwide rollout of UHC reforms. To address any policy gaps identified through these studies, supplemental policies will be developed. These will focus on issues such as the implementation of mixed provider networks and other relevant settings.

To improve health funding at the local level, the DOH is coordinating with the DILG and other relevant institutions to incorporate local health financing indicators into established LGU performance monitoring frameworks like the Seal of Good Local Governance and the Seal of Good Financial Housekeeping. This aims not only to monitor but also to document health financing performance by LGUs. Once these indicators are institutionalized, they could serve as reliable metrics for evaluating performance in local health financing and for recognizing best practices.

Meanwhile, the DOH will collaborate with the Department of Finance (DOF)-Bureau of Local Government Finance (BLGF) to institutionalize an electronic platform for tracking financial resources for health at the LGU level. Subnational health accounts will also be explored to track health expenditures at the local level as part of monitoring local health financing.

Tap and steer other funding sources for health through official development assistance (ODA) and private sector engagement towards addressing gaps in UHC implementation. The DOH shall steer the implementation of various ODA support, direct foreign aid to program areas and sites needing assistance, prioritizing capital-intensive projects that may require huge fund infusions in the short to medium terms such as infrastructures and equipments, and ensure complementation of efforts among concerned agencies, LGUs and development partners to drive the fulfillment of UHC goals (DOH, 2023). Apart from funding assistance, ODA can be tapped as well to maximize their technical expertise - especially on policy design of key health financing reforms.

The DOH will adopt innovative ways of expanding partnerships with private sector and civil society organizations (CSOs) to augment or complement government health spending on primary care facilities as well as higher level facilities. It will develop and refine policies, standards and guidelines for the engagement of the private sector for health initiatives on the following potential areas: contracting/outsourcing for the delivery of specific health services, (e.g. TB screening, treatment adherence monitoring, health education) and public-private collaboration on clinical or technical/ancillary services (e.g. partnership with private energy service contractors for solar energy financing, supply and management in health facilities to provide low-cost and sustainable energy, especially in areas without electricity). The DOH, in collaboration with other sectors, may also develop cooperative frameworks with financing institutions to reduce hurdles for LGUs and private health providers to access private capital to improve their health service delivery capacities - especially on inputs to provide primary health care services.

Improve identification and enrollment of the informal sector in the NHIP. The DOH, in collaboration with PhilHealth, the Bureau of Internal Revenue (BIR), and the Philippine Statistics Authority (PSA), among other relevant institutions, need to establish a cooperative framework to streamline access to BIR and pertinent databases, enabling the identification and enrollment of individuals, particularly those engaged in the informal sector, who would benefit from PhilHealth coverage. To further improve the premium structure of the NHIP, there is a need to move towards a more progressive setting of premium rates where contributions among its members are distributed more equitably based on actuarially fair premium rates, to be determined by PhilHealth. This will become the basis for setting the appropriate premium levels for direct and indirect contributors.

To guide the implementation of the aforementioned interventions, Table 3 provides the milestones for each of the interventions across the medium term.

Table 3. Milestones to Implement Strategic Objective 1: Increase public funding for health

<table>
<tr><th>2024</th><th>2026</th><th>2028</th></tr>
<tr><td>Measures on health earmarking from excise taxes on additional sin products, vices, unhealthy behaviors and other products with negative impact on health are advocated for legislation</td><td>Increased sin tax revenues from new sin products earmarked for health</td><td>Sustained sin tax revenues earmarked for health</td></tr>
<tr><td>Continued ongoing technical and funding support provided to UHC IS to strengthen capacities to manage and finance health services and support the formation of P/CWHS and HCPNs with financial integration.

Studies and consultations conducted on the use of financial allocation to LGUs</td><td>Increased number of UHC IS capacitated to operationalize PCPNs/HCPNs with financial integration through continued provision of technical and financial support by the DOH to LGUs

Allocation to LGUs established and utilized for the provision of financial support among priority LGUs</td><td>Increased number of LGUs capacitated to form PCPNs or Accredited HCPNs, and CWHS with financial integration through continued provision of technical and financial support by the DOH to LGUs, utilizing financial allocations to LGUs</td></tr>
<tr><td>Platform for routine tracking of local allocations and spending on UHC developed and institutionalized</td><td colspan="2">LGU health spending data routinely generated and analyzed</td></tr>
<tr><td>Policies and instruments for private sector engagement in health developed and implemented</td><td>Increased collaboration and partnership with private sector in the delivery of healthcare services</td><td>Sustained collaboration and partnership with private sector in the delivery of healthcare services</td></tr>
<tr><td>Studies conducted to determine actuarially fair premium, examine sustainable levels of government subsidies for indirect contributors and the near-poor in the informal sector, and assess the viability of expanding general tax revenue financing of health services</td><td>Policy decisions based on the results of the studies formalized into policies and/or legal amendments to the UHC Act and NHI, particularly on: premium rates for direct and indirect contributors, and government subsidies for indirect contributors and informal sector</td><td>Sustained actuarially fair premium rates among all NHIP members</td></tr>
</table>

02 Strategic Objective

Strengthen financing of primary care

Strategic Objective 02

Strengthen financing of primary care

Nationwide strengthening of primary care is crucial to attaining the UHC objectives of equitable access and protection against financial risk. High-performing primary care platforms create the foundation for responsive and cost-effective systems that place addressing health inequities at the forefront, while also helping promote allocative efficiency by freeing up higher-cost resources for conditions that cannot be better addressed through ambulatory care (Hanson et al 2022, Flaminiano et al. 2022.) In keeping with these principles, the DOH's Primary Care Policy Framework (DOH, 2020) describes strategic outputs of the envisioned system, which include: a) integration in local health systems of public health functions as primary care services, including health promotion, surveillance, emergency response, vector control, water and sanitation, and nutrition; b) ensuring access to primary care providers, both public and private, to act as initial and continuing points of contact between patients and higher levels of the health care provider network; and c) financial protection through quality-assured comprehensive outpatient benefit packages. Each of these outputs faces roadblocks to implementation which can and should be addressed through the following financing interventions in the medium term:

Expand investments in primary care inputs. Policy guidance for the integration of local health systems for primary care are outlined in Sections 17 and 18 of the UHC Act's Implementing Rules and Regulations (IRRs), and in DOH AO No. 2020-0019. These documents delineate the roles and responsibilities of primary care provider networks (PCPNs), which are essential components of local health systems responsible for delivering primary care outpatient services and facilitating navigation within the envisioned healthcare provider networks (HCPNs).

However, as articulated by the Philippine Health Facility Development Plan (PHFDP) and National Human Resources for Health Masterplan (NHRHMP), there are significant deficiencies in infrastructure and human resources for primary care. These deficiencies pose challenges to the establishment and functionality of PCPNs in many localities.

It is crucial to address the gaps in primary care supply before implementing measures that would significantly increase the demand for services. Specifically, the LGU should take the lead in delivering primary care services to their constituents by incorporating primary care as a priority intervention of the Local Investment Plans for Health (LIPH). The first intervention in this strategy focuses on medium-term measures aimed at securing sufficient financing to establish the necessary components for primary care. This includes treatment facilities and a diverse range of professional and allied healthcare professionals. Additionally, it is essential to ensure a stable supply of health commodities and diagnostic services, as well as the implementation of enabling factors such as quality assurance mechanisms, interoperable information systems, and the capacity for community organization.

To identify the required levels of investment needed to cover the entire eligible population with comprehensive primary care services by 2024, the DOH in cooperation with CHDs and local health boards, will determine investment needs for primary care delivery and PCPN functionality. As an initial step towards rationalizing investments, localized mapping and projection of primary care input availability and service demand will be conducted. This process will involve aligning local requirements for health facilities and healthcare professionals, especially

HRH, with national investment recommendations outlined in the PHFDP and the NHRHMP specific to primary care.

The costs associated with establishing and sustaining primary care service capability will undergo evaluation. Per capita investment levels required to meet network licensing standards for primary care provider networks (PCPNs) will be determined, accounting for varying local starting points. Exploring incentives and mechanisms to engage private sector primary care providers in curative, diagnostic, and other services will be a comprehensive effort. This includes assessing the costs of maintaining full operational capacity, serving as a foundation for providing incentives to private partners participating in PCPNs. The DOH and PhilHealth will provide models for output-based service level agreements with participation - and performance-incentivizing provider payment mechanisms that can be replicated by CHDs and LGUs for public, private or mixed PCPNs within their HCPN settings. Additionally, the DOH will invest in strengthening the capacity of CHDs concerning their stewardship functions, equipping them with resources to leverage for increased political and multisectoral support at the subnational level.

Finally, concrete measures to augment the available financing for primary care will be established, aligning with those mentioned in Strategic Objective 1. The DOH will initiate institutional arrangements with concerned agencies to ensure the functional integration of local health systems into P/CWHS, establish PCPNs within HCPNs, with financial integration. Pooling of health resources allows for more equitable resource redistribution, making quality care accessible even to the population of municipalities with low per capita health spending. In turn, LGU-led investments in primary care will be promoted and facilitated, following the DOH Devolution Transition Plan, particularly through a) adopting harmonized resource allocation to fill investment gaps for primary care in priority LGUs; b) providing customized non-financial support and capacitation to local health systems for primary care service delivery and integration; and c) implementing other actions outlined in Strategic Objective 1 to expand LGU health investments. Additionally, mechanisms to support LGU procurement of health commodities will be explored. This may involve inter-LGU arrangements to consolidate procurement efforts and negotiate favorable terms, such as drug prices and payment conditions, with suppliers on behalf of the covered populations.

Enable availment of primary care benefits. Once local capacity for service delivery is ensured, the next step is to generate and sustain demand for primary care services. This begins with establishing robust and dependable connections between the covered population and the healthcare system. In the medium term, this involves ensuring that every Filipino is registered with a primary care provider of their choice, be it public or private. Additionally, it means that all registered Filipinos can access primary care benefits through a combination of member empowerment and community mobilization efforts.

The DOH, PhilHealth, and LGUs will intensify health promotion activities and community mobilization efforts to raise public awareness regarding PhilHealth benefits and responsibilities. LGUs may work with relevant regional line agencies, CSOs and other stakeholders in mobilizing community volunteers to provide practical information to families. This information will include details about the documentary requirements for registration and utilization, the subsidized health services accessible to them, and contact information for accredited healthcare providers within their community. Leveraging social media and other technology platforms will be optimized to disseminate valuable information and address common concerns related to enrollment and utilization.

LGUs may also forge agreements with regional line agencies, CSOs, and development partners to leverage their current platforms, programs, and networks. This collaborative effort aims to assist underserved populations in overcoming financial, transportation, and other barriers to access quality healthcare.

PhilHealth may also consider reevaluating policies that could impose limitations on the benefits accessible to members' dependents, including the combined 45-day hospitalization

limit for all dependents compared to a separate full 45-day limit exclusively for the primary member.

Ensure financial viability and quality of primary care benefit delivery. Linking households and individuals with primary care providers guarantees neither sustained utilization of services nor quality of benefits delivered. The third intervention is centered around establishing strategic purchasing and provider payment mechanisms to help manage costs of care, create greater efficiencies through improved risk sharing, and secure higher quality that will all contribute to sustainability and impact of primary care systems beyond the medium term. Well-designed incentivizing payments may also encourage additional investments from both public and private sectors. A key element of this intervention is the integration of primary care into the continuum of care within the Healthcare Provider Network (HCPN), ensuring a responsive referral system built on a strong foundation of primary care providers.

Identifying and addressing bottlenecks related to provider accreditation and PCPN licensing will be undertaken, in parallel with the enhancement of service standards and performance measures to guide contracting of providers and PCPNs responsible for delivering primary care benefit packages.

To guarantee the complete nationwide implementation of a comprehensive range of primary care benefits in all PCPNs by 2028, the current interim packages will be introduced within regulatory sandboxes. This approach will provide valuable insights for determining provider capitation and performance-based payments that sufficiently cover operational expenses while incentivizing the achievement of targets. Furthermore, policies facilitating cost-sharing with the private sector will be developed and implemented.

Through recursive, participatory, and transparent processes, the contents and costing of primary care benefit packages and provider payments will be determined and progressively refined by PhilHealth, together with the DOH, medical societies and other concerned stakeholders. These processes will follow principles that prioritize equitable access and the enhancement of population health outcomes. Concurrently, the DOH will strive to enhance the estimation of primary healthcare expenditure, aligning it with internationally accepted standards and classifications. This effort will be conducted in close coordination with the Philippine Statistics Authority (PSA) and will involve the collection of additional essential data to strengthen existing methods and improve disaggregation, thereby facilitating more informed decision-making.

Photo credits: Communication Office

Table 4. Milestones to Implement Strategic Objective 2: Strengthen financing of primary care

2024	2026	2028
Investments on primary care determined	Significantly increased investments for supply of primary care inputs, including facilities and HRH	Increased number of licensed and accredited individual health providers, PCPNs and contracted HCPNs Interoperable health information systems within PCPNs/HCPNs
	Increased number of licensed and functional PC facilities	All PCFs shall be licensed and accredited to outpatient benefit packages
35% of Filipinos are registered/assigned to a PCP of choice	70% of Filipinos are registered/assigned to a PCP of choice	All Filipinos are registered/assigned to a PCP of choice and able to avail primary care benefits
Roll out Konsulta sandboxes	Konsulta + SDG + outpatient drug benefits are being implemented	COBP is being implemented
Recalibrate benefit plan due to suspension of premium rate hikes Determine components and costing for COBP with information from Konsulta sandboxes	Determine COBP components and costing Determine the appropriate capitation rate that will be able to cover operational costs Develop private sector cost-sharing policies	Provider capitation and performance-based payments that adequately cover operating costs and incentivize reaching targets Cost-sharing policies implemented

03 Strategic Objective

Ensure equitable financing to health services and affordable medicines

Strategic Objective 03

Ensure equitable financing to health services and affordable medicines

This objective can be achieved by enhancing PhilHealth's support value and reducing OOP expenses for vulnerable populations through strategic purchasing of healthcare services. This includes a thorough review of provider payment mechanisms and the implementation of measures to reduce hospitalization costs borne by individuals. Additionally, the ongoing challenge of limited access to medicines should be addressed, which remains a primary driver of OOP payments for both inpatient and outpatient care.

In alignment with the 8-Point Action Agenda, particularly Action Item No. 2: Ligtas, dekalidad at mapagkalingang serbisyo which aims to ensure the provision of high-quality, safe, and people-centered services, including access to affordable medicines across all life stages, this strategic objective outlines the following interventions to provide financial risk protection during healthcare utilization:

Align all medical assistance programs with PhilHealth benefits, including complementation of Private Health Insurance and/or Health Maintenance Organization benefits. While PhilHealth currently does not provide significant support value for patients, various medical assistance programs have been implemented to complement PhilHealth coverage. These programs are not only offered by the DOH but also by other agencies, including the Assistance to Individuals in Crisis Situation (AICS) program through the DSWD, as well as medical assistance programs provided by the Philippine Amusement and Gaming Corporation (PAGCOR) and the Philippine Charity Sweepstakes Office (PCSO). To date, the DOH provides medical assistance by virtue of existing laws, such as Malasakit Act of 2019, through the Medical Assistance to Indigents and Financially Incapacitated Patients (MAIFIP) Program. Additionally, the DOH provides assistance under the Mental Health Act and cancer assistance fund. Similarly, the medical assistance provided by PCSO and PAGCOR also covers expenses incurred during inpatient stay and required diagnostics that are already covered by PhilHealth. From these several funding sources, JAO 2020-001 lays down the guidelines on the order of charging from PhilHealth coverage and for utilizing the various medical assistance funds from DSWD, PCSO, and the MAIFIP.

To enhance the efficiency of utilizing these funds, there is a necessity to assess and align the service coverage of various medical assistance programs with PhilHealth benefit packages. Aligning and allocating these funds to specific cost drivers can effectively supplement existing government subsidies and promote the efficient utilization of limited government resources for medical assistance. In this regard, it is essential to identify major illnesses where these funds can best complement existing support. Additionally, a set of criteria for identifying these illnesses and aligning them with PhilHealth benefit packages should be established. One of the key considerations may involve identifying illnesses that significantly impact the financial stability of households and increase the risk of poverty. This may encompass critical illnesses and diseases with a large patient base and substantial differences in bills not covered by PhilHealth. Examples of such major illnesses may include cancer, heart disease, stroke, and other chronic or acute conditions requiring extensive medical treatment and care.

The supplementation of these funds should also take into account indirect costs associated with care, such as transportation, accommodation, and food expenses, including those incurred by the patient's caregiver. Ultimately, efforts should be made to harmonize social protection financing with other agencies to address overlaps and prevent duplication.

Further, it is worth noting that the MAIFIP Program of the DOH has witnessed a significant increase in budget allocation in the General Appropriations Act since its inception. The allocation has grown from Php 4.8 billion in 2018 to Php 32.6 billion in 2023, reflecting an average annual budget growth rate of nearly 50 percent. Given the substantial amount allocated to this program and recognizing potential overlaps in financial coverage with PhilHealth and other health-related social protection funding from different agencies, it is recommended to conduct an evaluation of this program to assess its effectiveness and efficiency. While this program effectively addresses the immediate out-of-pocket expenses of indigent patients, exploring more sustainable financing mechanisms is recommended.

Similarly, this intervention will also seek alignment or complementation among health maintenance organizations, life and non-life private health insurance and PhilHealth benefits as mandated by the UHC Act. To operationalize this, a coordination mechanism shall be established to ensure that benefits for members of both insurers are complementary, with private health insurance (PHI) and health maintenance organizations (HMOs) covering benefits not covered in the NHIP. This approach will promote cost-sharing among insurers regarding coverage for their members, further reducing OOP.

Transition to an improved and more efficient provider payment mechanisms. To enhance support value, the reimbursement rates that PhilHealth provides to hospitals will undergo a comprehensive review and update. Being the primary provider payment method, the All Case Rates, has not been revised since their implementation beginning 2013. Likewise, the Z Benefits program, introduced in 2012 to address "catastrophic illnesses," needs to be re-evaluated to align with the transition to prospective payment mechanisms mandated by the UHC Act, specifically the DRG-GB system.

Currently, efforts are underway to review and refine the existing provider payment methods. This initiative aligns with the transition towards adopting diagnosis-related groups (DRGs) as basis for provider payment. The utilization of DRGs is crucial for ensuring equitable reimbursement of healthcare services, as it categorizes patients based on factors such as length of stay, resource utilization, and case severity. This approach addresses the limitations of the less precise ACR system.

Furthermore, the UHC Act advocates for the implementation of a global budget system, where contracted HCPNs will receive prospective payments for the entire year and the DRGs will be used as basis following the projected case mix of the facility. Under this DRG-based global budget provider payment system, providers are expected to enhance the efficiency of hospital resource utilization and elevate quality in the delivery of healthcare services. Hospitals operating under a DRG rate are anticipated to leave a little room for patient's OOP expenses in line with the cost-sharing policy. Consequently, this approach will enhance the support value provided and reduce the incidence of catastrophic health expenditure for inpatient cases. Additionally, hospitals will have greater autonomy, operating independently under the global budget framework, rather than solely relying on national government funding.

Implement cost-sharing policies with zero copayment for basic accommodation. In 2019, the UHC Act mandated the replacement of NBB policy with a no copayment policy for patients confined in basic or ward accommodation. The NBB policy was introduced in 2011, prohibiting public and select private hospitals from imposing additional fees or expenses on indigent patients and other members during their hospitalization. Consequently, the guidelines of the existing NBB policy will undergo review to revisit the criteria for defining the minimum standard of care and accommodation for zero copayment. All other amenities, including upgrades beyond the minimum standard, will be subject to copayment by the patient. The guidelines for such copayments will be developed and implemented during the transition to DRG-based global budget payment for

healthcare providers. To fully implement the zero copayment policy, compliance with basic/ward accommodation standards should be fully complied by all hospitals.

Catastrophic spending can be driven by the unregulated co-payment fees, particularly due to balance billing practices, especially prevalent in the private sector. It is imperative to enforce price transparency, as mandated by the UHC Act, to ensure fair and reasonable pricing for services provided to its clients. This encompasses the pricing of drugs and medicines, laboratory fees, procedure costs, amenities, professional fees, and other healthcare services provided by hospitals and healthcare providers. Therefore, healthcare providers and facilities are required to establish transparency by making their prices readily accessible and available to the public and patients. This transparency will empower patients and the general public to make informed decisions regarding the healthcare services they wish to utilize from these facilities. The DOH and PhilHealth in turn, shall monitor the prices of health care goods and services offered to the public.

Likewise, the DOH shall explore suitable methodologies and tools, such as expenditure population surveys, for measuring and assessing catastrophic health expenditure within households, thereby enhancing the department's ability to make well-informed decisions regarding coverage and policies aimed at enhancing financial risk protection.

Implement the PhilHealth Benefit Development Plan responsive to the needs of all life-stages. PhilHealth crafted the Benefit Development Plan (BDP) to serve as a framework in determining, designing, implementing and monitoring of benefits. By virtue of the UHC Act, which emphasizes the integration of evidence into service coverage formulation, the DOH institutionalized a standard process for the development of National Practice Guidelines (NPG) and the Omnibus Health Guidelines (OHG). These guidelines define the standards of care or services for various disease conditions. However, these standards are not yet linked with the development of PhilHealth's benefits, leading to discrepancies between DOH licensing standards and PhilHealth benefit inclusion.

Meanwhile, the Philippine National Formulary (PNF), as established by Executive Order 49 s. 1993, used as the basis for the dispensing of drugs and medicines in government hospitals, should undergo periodic review. This is essential to guarantee that government hospitals can procure and provide necessary drugs and medicines to their patients in accordance with PhilHealth's benefits for reimbursement and zero copayment policy. Currently, due to this regulation, patients in government hospitals are compelled to purchase prescriptions from sources outside of the PNF, often resulting in higher expenses and potentially increasing the patient's OOP payments for a particular health episode.

There is a need to review policies governing the coverage of essential medicines, which includes the PNF and Health Technology Assessment (HTA). HTA evaluates the cost-effectiveness of the medicines and technologies, thereby informing the government's purchasing decisions. These considerations should be integrated into the design of inpatient benefits of PhilHealth. By aligning PhilHealth's benefits with evidence-based NPGs and OHG, access to quality healthcare services will be guaranteed for every individual, regardless of their life stage. This alignment will also enhance the development of the PhilHealth BDP. Additionally, this approach will help eliminate redundancy in purchases for specific personal care benefit packages by DOH and PhilHealth, as well as those covered by the local government.

Maximize mechanisms to improve the affordability of medicines. While PhilHealth asserts that all medications required for a specific episode of care under a benefit package are already covered, instances of stockouts can compel patients to seek alternative sources and incur OOP expenses. In 2021, household OOP payments reached PhP 451 billion, constituting 41.5 percent of Current Health Expenditure (CHE). Notably, nearly a fifth of CHE in 2021 amounting to PhP 208.7 billion or 19.2 percent is allocated to pharmaceuticals, making it the second highest contributor to health care spending in the country, with expenditure on health care goods being the top contributor.

The Philippine Medicines Policy 2022-2030, developed by the Pharmaceutical Division of the DOH, outlines strategies for ensuring sustainable financing of medicines to guarantee access and availability of quality and affordable medicines. This is achieved through various mechanisms, including procurement of medicines, price negotiation and imposition of maximum drug retail price (MDRP). To fully leverage these mechanisms, it is recommended to expand the scope of existing price negotiation practices, such as centralized procurement with price negotiation, pooled procurement, and drug consignment, to cover a broader range of essential medicines. Given that LGUs, acting through the P/CWHSs, play a central part in the provision of medicines through hospitals or health centers, their active participation in this mechanism is encouraged.

Furthermore, by virtue of the UHC Act, a PhilHealth outpatient drug benefit shall be implemented to reduce the burden of pharmaceutical expenses on Filipino families. This will be achieved by covering outpatient medication through the PhilHealth Guaranteed and Accessible Medications for Outpatient Treatment (GAMOT) program and by engaging pharmaceutical service entities to participate in this benefit.

The DOH, together with the CHDs, will ensure timely access to medicines and commodities by improving its Procurement and Supply Chain Management (PSCM) system. This enhancement involves refining processes for estimating and allocating medicine and commodity requirements, aligning them with the needs of the health facilities in the LGUs. Additionally, the DOH will commission a study to facilitate the development of an electronic platform for medicine procurement, aiming to promote price transparency and reduce medication costs. Furthermore, an electronic Logistics Management Information System (e-LMIS) will be designed to electronically capture data on inventory and distribution. To expedite commodity distribution to service delivery points, a study will assess the financial and economic feasibility of engaging a warehousing and delivery contractor (4th party logistics or 4PL provider) based on international pharmaceutical industry standards.

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Table 5. Milestones to Implement Strategic Objective 3: Ensure equitable financing to health services and affordable medicines

2024	2026	2028
Review of illnesses/services not covered sufficiently by PhilHealth and shall be covered by medical assistance funds	Policy issued aligning MAIFIP, CAF, and other medical assistance funds with PhilHealth benefit packages to prioritize coverage on select diseases that drives catastrophic spending (e.g. cancer, stroke, specialized/ complicated illnesses)	MAIFIP, CAF, and other medical assistance funds limited to critical illnesses, innovative drugs and procedures, and other services not yet covered by PhilHealth
Shadow billing using DRG Implementation of ACR-GB in demonstration sites	Partial implementation of DRG-GB to select hospitals	All ICD-10 codes with DRGs, subject to financial viability Hospitals are paid through global budget costed using DRGs
Updated policy on the classification and allocation of hospital beds for basic or ward accommodations	Compliance to allocation of basic or ward accommodations as part of the performance commitments/contracting arrangement for all HCPNs	
Review and update on the use of PNF done for benefit design and payment, aligned with HTA process and PhilHealth benefit development	NPGs and OHG utilized as the standard of PhilHealth benefits	
Expanded scope of centralized procurement with price negotiations to include more essential medicines and extending its scope to private health facilities subject to a price ceiling agreement, through legislative measures		LGUs as part of the recipients of centrally negotiated pricing for drugs and medicines
Review of implementation of existing discount policies on drugs and medicines for special populations done	Issuance of a policy to include other vulnerable populations that needs special pricing on drugs and medicines	
Pooled procurement systems at the national or P/CWHS level developed for pilot-testing	Policy issued on innovative procurement modalities for drugs and medicines (such as framework contracting, consignment)	All public facilities are implementing innovative procurement modalities for drugs and medicines
Study conducted to determine the financial and economic viability of contracting a 4PL provider	Policy decision on the engagement of 4PL provider based on the result of the study formalized into DOH issuance	
e-LMIS developed and pilot-tested	e-LMIS refined based on the results of the pilot test	e-LMIS used in commodity inventory tracking
Study conducted to determine the viability of e-procurement of government-funded medicines and commodities	DOH policy decision made on e-procurement of government-funded medicines and commodities based on the result of the study	

04 Strategic Objective

Promote transparency, accountability and good governance in health

Strategic Objective 04

Promote transparency, accountability and good governance in health

As one of the health system functions (Kutzin, 2023), governance or stewardship plays a vital role in achieving our health system goals and intermediate objectives. According to the World Health Organization (2023), health system governance encompasses the rules and norms that delineate roles and responsibilities, incentives and interactions within the health sector. As the leader of the health sector, the DOH plays a significant role in setting the governance arrangements in the sector. Other key stakeholders include the health care providers, both public and private, along with the citizens, who become end-users when they engage with the health system.

The stewardship role of the DOH implies strengthening of systems and mechanisms to strategically influence how resources are generated, allocated and used in a way that ensures delivery of quality and affordable health care for all, especially the poor. These reforms further support the strengthening of infrastructures and capacities necessary to facilitate the following: interoperable health information systems, well-stocked and fully staffed health facilities, and well-informed citizens capable of utilizing the entitled health benefits.

As discussed in the earlier section, one of the intermediate objectives to achieve universal healthcare is to promote transparency and accountability. According to Kutzin (2013), transparency refers to people's understanding of their entitlements and obligations regarding health service utilization, along with the transparency and accountability of health financing agencies (i.e. extent of corruption, public reporting on performance). This strategic objective prioritizes making valuable health-related information accessible to the public, prompting the government to provide clarity and transparency on matters affecting service delivery and utilization.

Enhance interoperability of digital health information systems (HIS) for efficient health system management and service provision. The strategic objective of action agenda 3 (Teknolohiya para sa mabilis na serbisyo) of the 8-point Action Agenda is to leverage digital health and technology for efficient and accessible health service delivery. This agenda promotes the enhancement of data integration, interoperability, and reuse of digital health information systems, and utilization of digital health and technology, including the use of technology to harness timely and accurate data for making financial, administrative, and management decisions within the health sector. At the same time, robust data privacy measures will be implemented to protect sensitive information and maintain public trust.

The DOH and PhilHealth will modernize their health information systems (HIS) leveraging data services and adopting innovative technologies to align with the digital infrastructure investments needed for implementing UHC. This will include expanding PhilHealth benefits, transitioning to DRG-based provider payment, conducting epidemiologic surveillance and implementing other data-intensive interventions. To facilitate these enhancements in digital infrastructure and optimize the management of enrollment, collections, and claims processing, additional IT experts and data analysts will be recruited, working alongside existing PhilHealth personnel.

This will also enable systematic tracking of provider compliance to PhilHealth zero copayment/ NBB and copayment policies, as well as HCPN compliance to performance standards set by DOH and PhilHealth. Together with health insurance professionals and other sector experts, PhilHealth and DOH will ensure that data analytics are effectively disseminated to relevant units and stakeholders.

As mandated by Section 36 of the UHC Act, the DOH and PhilHealth shall develop and fund the health information system to be maintained by health service providers and insurers. Such a system will include enterprise resource planning, human resource information, electronic health records and an electronic prescription log consistent with DOH standards.

Memorandum Circular No. 95 s 2022 from the Office of the President, directed all government agencies, offices, instrumentalities, as well as local government units, to prepare for the implementation of the Philippine Identification System (PhilSys) and its integration into government processes, databases, systems and services.This includes the integration of the PHIC membership information system. Data sharing among concerned agencies will be strengthened. The DOH, BIR, PSA and concerned agencies will issue a policy that allows database sharing for purposes of providing information that will guide the UHC implementation in compliance with the Data Privacy Act of 2012. Further, Philhealth shall endeavor to utilize the PhilSys identification system when accessing Philhealth services. This shall also include the interoperability of the Philhealth membership systems and relevant DOH information systems with the DICT government portal.

The DOH and PhilHealth will ensure that the data generated from their HIS are processed and analyzed to inform decision-making. In close coordination with the DOST, data analytics will be strengthened to aid the conduct of health technology assessment (HTA) and inform budget decisions on health. In reference to the second strategy of this document, the LGUs will be assisted in using HIS and other relevant monitoring systems to analyze their local allocation and spending on health – to be used as basis to leverage for greater local role in health financing, procurement and delivery of public health goods and services.

Institute mechanisms for stronger public financial management in health. The DOH will work with the DBM and concerned agencies to assess the performance of PFM in health and identify remaining areas for improvement. Findings from this assessment will guide the development, refinement and implementation of needed policy reforms to secure an adequate and reliable health budget, strengthen the linkage of UHC priorities and targets to budget planning and implementation, and improve financial accountability in health.

Further, the DOH in collaboration with DBM and concerned agencies, will work to ensure that tools and resources, such as electronic PFM assessment tools, trainers and experts, are available. These will guide its various units and the LGUs in conducting regular PFM assessments of the health system, preparing their PFM Improvement Plans, and addressing bottlenecks in budget preparation, execution, and monitoring. Supportive supervision for LGUs may be provided by agencies including the DOH, DBM, and GPPB. In collaboration with CHDs and in consultation with DILG and local officials, the DOH will develop its PFM Roadmap to ensure efficiency, effectiveness, transparency, and accountability in the provision of health services.

Furthermore, Executive Order No. 29 s. 2023, entitled “Strengthening the Integration of Public Financial Management Information Systems, Streamlining Processes, and Amending Executive Order No. 55 (s 2021) For the Purpose”, instructs all relevant offices to adopt and implement the Integrated Financial Management Information System (IFMIS) in the processing of government financial transactions.

To support this intervention, the following shall also be pursued:

- **Boost DOH capacities on health financing**. For effective implementation of the provisions in this strategy document, a dedicated unit staffed with individuals who have relevant competencies in health financing is essential. A healthcare financing group has already been created through a Department Personnel Order within DOH-HPDPB. This group provides technical assistance in the development of evidence-informed health financing-related policies, strategies, and initiatives, among other responsibilities. However, it is worth noting that while the group includes tenured and experienced staff, the number of members is insufficient and they have additional concurrent duties.

  Reiterating the recommendations mentioned in the HCFS 2010-2020 Assessment Report, it is important that a dedicated health care financing team be institutionalized in the DOH. This team should build its capacity to support and track the milestones and deliverables mentioned in the HCFS document. A dedicated unit within the DOH, separate from PhilHealth, which focuses on sectoral health financing matters, will support the DOH in its stewardship of the health sector and in ensuring financial protection.

- **Whole-of-government approach for a sustainable budget for UHC.** The DOH shall lead in the prioritization of health in the government budget by intensifying its political advocacy for an adequate and predictable budget for UHC, providing strong technical justification, and demonstrating its capacity for improved budget utilization. This effort will highlight the importance of a whole-of-government and whole-of-nation approach to address health needs, as exemplified during the COVID-19 pandemic response. Recognizing the various determinants of health, it is essential to advocate for partnerships with other NGAs to allocate a budget for health-related PPAs.

  The advocacy will highlight the need to prioritize critical UHC investments, such as health facility enhancement and HRH, in both national and subnational government budgets. A prerequisite for this is a comprehensive estimation of the investment requirements for implementing priority UHC interventions from 2023 to 2028. These estimated requirements should be included in the annual budget requests of the DOH, PhilHealth, LGUs, and other relevant institutions.

Raise public awareness on individuals' health rights and obligations. The DOH will collaborate with PhilHealth, DILG, DSWD, the Philippine Information Agency (PIA), LGUs, and concerned stakeholders to develop and enhance strategies for increasing community awareness about their health entitlements and obligations. Mechanisms and tools will also be created to assist LGUs in engaging, managing, and monitoring CSOs in providing health navigational assistance to all Filipinos—including those not served or reached by government health facilities. This assistance may include facilitating PhilHealth registration for individuals, informing them about their PhilHealth benefits, and connecting them to PhilHealth-accredited providers who offer the health services they need. The DOH will also ensure that the public is well-informed about the cost of health services and commodities in health facilities, as well as the amount of any required copayments. Mechanisms will be established to monitor patient grievances concerning health provider compliance with PhilHealth copay schemes.

The DOH will also enhance its stewardship role in UHC implementation to promote a common understanding of UHC reforms and accountabilities, and to oversee their implementation through the Centers for Health Development (CHDs). Investments will be provided to improve the expertise of both the DOH and CHDs to meet the technical needs of LGUs and other concerned stakeholders.

This will focus on integrating local health systems into P/CWHSs; establishing, managing, and monitoring PCPNs and HCPNs with financial integration; and translating UHC reforms into local plans, policies, and budgets that are relevant to local needs and priorities. Furthermore, this will include consultative meetings and dialogues conducted by the DOH central office with CHDs and LGUs to gather their recommendations on how best to improve the development of guidelines and governance mechanisms promoted by the DOH, emphasizing the importance of empowering the implementers of UHC.

Table 6. Milestones to Implement Strategic Objective 4: Promote transparency, accountability and good governance in health

2024	2026	2028
DOH, CHDs and PhilHealth capacitated to provide technical leadership on UHC service provision, financing and governance	Cadre of health and SHI experts formed to provide routine technical guidance to LGUs on UHC reform implementation	Increased capacities of LGUs for managerial, technical, and financial integration to implement UHC reforms
Assessment conducted to determine gaps in the IT system and infrastructure of DOH, CHDs and PhilHealth IT system and infrastructure of DOH, CHDs and PhilHealth upgraded based on the recommendations of the assessment	PhilHealth electronic HIS made interoperable with those of health facilities Digital HIS of DOH and PhilHealth made interoperable	Interoperable HIS infrastructures maintained and sustained in health facilities
Assessment of PFM in health conducted Program and tools to strengthen DOH and LGU capacities on PFM (budget planning, execution, monitoring and analysis) developed based on the result of the PFM assessment Joint Circular among DOH, DBM, PhilHealth, BIR and concerned agencies issued, adopting common metrics and database on UHC targets and outcomes	PFM roadmap for health developed DOH and LGUs trained on PFM	PFM roadmap for health aligned with other agencies and with LGUs
Performance measures and incentives for community health navigators developed Mechanisms and instruments developed to aid LGUs in engaging, managing and monitoring CSOs in providing health navigational assistance Communication plans and strategies (including marketing & rebranding initiatives) on PhilHealth developed	Community-based health navigators engaged in LGUs, especially UHC IS	
Platforms to raise public awareness on medicine prices, hospital rates and quality, and PhilHealth policies on co-payment developed Mechanisms to monitor and address patient grievances on health provider compliance to PhilHealth copay schemes developed	Platforms to raise awareness on medicine prices, hospital rates and quality, and PhilHealth policies on co-pay widely used by the public Mechanisms to monitor and address patient grievances on health provider compliance to PhilHealth copay schemes set up and linked to PhilHealth's provider performance measures	

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Implementation and Monitoring Plan

The successful execution of the Health Care Financing Strategy of the Philippines 2023-2028 is hinged upon a rigorous implementation and monitoring plan. This entails close coordination between the DOH, PhilHealth, relevant NGAs, LGUs, healthcare providers, health experts, as well as its relevant stakeholders. This plan serves as the backbone of the strategy, ensuring that its goals and objectives are translated into tangible actions and measurable outcomes.

In reference to the HCF Strategy Framework in the earlier section of this document, the final outcome of the HCF Strategy in terms of ensuring financial risk protection is to reduce OOP spending and protect Filipinos from financial risk when accesssing health services. Achieving this outcome will contribute to the health sector goals set under the 8-Point Action Agenda of better health outcomes, stronger health systems, and access to all levels of care.

The intermediate outcomes of the four (4) strategic objectives below are expected to contribute to the overarching goal of the HCF Strategy, as well as the milestones identified for its interventions:

Strategic Objective 1: INCREASE public funding for health. The intermediate outcome focuses on the shift of spending from an OOP-driven to a more publicly funded health system through the following financing agents: the central government, the social health insurance through PhilHealth, and the LGUs.

Strategic Objective 2: STRENGTHEN financing of primary care. The intermediate outcome measures the necessary components to reflect the supply and demand side in implementing primary care in integrated local health systems. While financing curative care will be larger than primary care due to its higher costs, this strategic objective and its milestones expects an increase in its financing, with ambulatory care as its proxy indicator.

Strategic Objective 3: ENSURE equitable financing for health services and affordable medicines. In relation to the first strategic objective, the implementation of this strategy is expected to increase PhilHealth's spending by improving its Support Value and, in doing so, reduce OOP payments and prevent catastrophic spending.

Strategic Objective 4: PROMOTE transparency, accountability, and good governance in health. This strategic objective intends to measure performance metrics on budget execution to ensure efficient allocation and spending of budget for health.

Table 7 provides the monitoring indicators and targets set to measure the impact of the HCF Strategy and the intermediate outcomes for each of the four (4) strategic objectives across the medium term, including its corresponding data source and reporting unit. In line with the higher strategic plans, three time horizons will be utilized for the monitoring and evaluation for the implementation of the strategy across the medium term: 2023-2024, 2025-2026, and 2027-2028.

The HCF Group of the HPDPB, in coordination with Performance Monitoring and Strategy Management Division and the identified reporting units, shall facilitate the monitoring and evaluation of the strategy and likewise provide status reports to implementing units, partner agencies, and other pertinent stakeholders. Recognizing the dynamic landscape of the healthcare system as well as the macroeconomic landscape of the country, an adaptive approach will be incorporated into the monitoring plan, allowing adjustments to the monitoring indicators and targets as necessary based on its monitoring and evaluation.

Table 7. Monitoring Indicators and Targets of the Health Care Financing Strategy of the Philippines 2023-2028

GOALS/ OBJECTIVES	INDICATOR	BASELINE/ BASE YEAR	TARGET			DATA SOURCE	REPORTING UNIT
			2024	2026	2028		
Reduce OOP spending and protect Filipinos from financial risk when accessing health services	Domestic general government health expenditure (GGHE-D) per capita, in PPP (int$)	154 (2019)	193	212	232	WHO Government Health Expenditure Database	WHO
	Household out-of-pocket health spending as percentage of current health expenditure (%)	44.7 (2022)	37.7	33.8	28.1	Philippine National Health Accounts	PSA
	Incidence of catastrophic health expenditure among those who had at least one inpatient care at the 10% threshold (%)	30 (2022)	TBD	TBD	<30	Special Study using Family Income and Expenditure Survey Data	DOH-PMSMD
Strategic Objective 1: INCREASE public funding for health	Central government as percentage of current health expenditure (%)	20.9 (2022)	22	23	26	Philippine National Health Accounts	PSA
	Social Health Insurance Agency as percentage of current health expenditure (%)	13.6 (2022)	19.1	24.6	27	Philippine National Health Accounts	PSA
	Local government share to current health expenditure (%)	9.7 (2022)	10.6	11.4	12.1	Philippine National Health Accounts	PSA
Strategic Objective 2: STRENGTHEN Financing of Primary Care	Ambulatory care spending as a percentage of current health expenditure (%)	3.0 (2022)	4.6	6.2	8	Philippine National Health Accounts	PSA
	Number of Primary Care Providers contracted for Konsulta	2,161 (2023)	2,855	TBD	TBD	Administrative data	PhilHealth
	Percent of the Filipino population registered to a PhilHealth-contracted primary care provider (%)	15% (2022)	35%	70%	90%	Administrative data	PhilHealth

GOALS/ OBJECTIVES	INDICATOR	BASELINE/ BASE YEAR	TARGET			DATA SOURCE	REPORTING UNIT
			2024	2026	2028		
Strategic Objective 3: ENSURE equitable financing to health services and affordable medicines	PhilHealth Support Value	66% (2017)	70%	75%	80%	Administrative data(Third party survey)	PhilHealth
Strategic Objective 4: PROMOTE transparency, accountability, and good governance in health	DOH budget obligation rate	87.5% (2022)	95%	95%	95%	Statement of Appropriations, Allotments, Obligations, Disbursements and Balances	DOH
	DOH budget disbursement rate	79.4% (2022)	85%	85%	85%	Statement of Appropriations, Allotments, Obligations, Disbursements and Balances	DOH

Health Care Financing Agenda for Research, Technical Assistance, Legislation, Evaluation, Policy and Plans

As part of the implementation of this Strategy, a range of activities has been identified to address current gaps in health care financing. These activities encompass the following areas which have been carefully aligned with each of the four (4) strategic objectives outlined in Table 8:

- Research topics to promote evidence-informed decision-making in the formulation of policies and/or legislation to enhance the effectiveness of health care financing strategies;
- Policies and plans to be developed/updated to support the implementation of the HCF Strategy and its interventions;
- Legislations to be developed to enact reforms to strengthen health care financing mechanisms;
- Evaluation of pertinent policies, programs, and activities related to health care financing; and
- Technical assistance needs, ranging from consultancy, capacity building, systems development, to logistics management and to enable the health sector in implementing the Strategy.

The indicative agenda items shall be incorporated in the existing medium-term and succeeding annual agendas as part of the activities of the DOH and PhilHealth. Further, this will serve as an advocacy tool to relevant national government agencies and bodies, LGUs, development partners, and other stakeholders to align their programs, activities and projects to assist the DOH and Philhealth to realize the strategic objectives of the Strategy.

The HCF Group of the HPDPB will facilitate the implementation of the HCF agenda. Likewise, these activities will undergo assessment and adjustments as necessary to ensure constant alignment with any evolving factors that might impact the effective execution of the Strategy.

Photo credits: Communication Office

Table 8. Identified HCF-related areas for further study and development

RESEARCH	TECHNICAL ASSISTANCE	LEGISLATION	EVALUATION	POLICY / PLANS
Strategic Objective 1: INCREASE public funding for health				
Study on the viability of providing a supplemental benefit package with additional premium contributions to cover services beyond the basic package of PhilHealth to supplement pooled funds. Study on the policy design of network licensing and or accreditation of PCPNs/HCPNs. Economic evaluation, including estimates of potential revenues and health outcomes, of additional sin products for earmarked health taxes. Study on the analysis of the share of budget allocated to LGUs over total DOH budget and its utilizationStudy on the mechanisms to incentivize performance of LGUs (for HCPNs) through PhilHealth payments & DOH grants (ie. inter-governmental transfers)	Technical assistance in the development and implementation of a system/mechanism to track budget and health financing performance of LGUs (e.g. local health accounts), in coordination with BLGF Technical assistance on the estimation of OOP spending at the LGU level. Technical assistance and capacity building support for P/CWHSs for financial integration	Develop health earmarks from taxes on new "sin products" Increase rates of existing sin taxes (e.g.. tobacco, HTPs, SSB, alcohol) Earmarking of LGU Budget for Health as part of financial integration	Evaluation of DOH-NNC DTP for LGU Investment	MTEP 2023-2030 updated for more precise funding of priority UHC investments, made more responsive to LGU needs Prioritization Guidelines for Resource Allocation (PGRA) to streamline grants and inter-governmental transfers to LGUs Operational policy and plan on private sector engagement for health Updated standards and guidelines to engage the private sector in UHC reforms Guidelines on database sharing among relevant agencies, such as but not limited to BIR, GSIS, SSS, to identify informal sector and ensure consistency of PhilHealth membership database and records, as well as monitor premium payments Joint guidelines DOH-PhilHealth-DBM-LGU agreement on metrics for UHC financing COA accounting guidelines on the implementation of Philhealth prospective payment mechanism on Health Care Provider Networks in Sandbox sites
Strategic Objective 2: STRENGTHEN Financing of Primary Care				
Study on Primary Care investments needs (HFEP, PCF, ICT infrastructure, licensing requirements of PCFs, counterpart HRH or PCWs) Exploratory study on network licensing especially in integrated local health systems with limited resources	Technical assistance to PSA to estimate/disaggregate primary care spending as percent share of CHE	Alignment of various legislations to support primary care	Evaluation of simulated UHC policy reforms in HCPN Demonstration or Sandbox Sites	Guidelines for financial integration: • PhilHealth Guidelines on Prospective Payments • HCPN Standards and Contracting (DOH/PhilHealth) Policy on Comprehensive Outpatient Benefit Package Review and updating of licensing standards of PCFs and its costing (PHFDP) Policy on harmonizing accreditation and licensing standards

RESEARCH	TECHNICAL ASSISTANCE	LEGISLATION	EVALUATION	POLICY / PLANS
Strategic Objective 3: ENSURE equitable financing to health services and affordable medicines				
Study on illnesses/services not sufficiently covered by PhilHealth and have duplication in financing, such as overlaps among social protection programs offered by various NGAs as well as LGUs. For further study on development of measurement tools to track PF expenditure Identify illnesses/services not sufficiently covered by PhilHealth for alignment/financing by other health funds (e.g. MAIFIP) Review the PNF on its use as basis for benefit payment, and explore other references to be used in benefit package development such as National Practice Guidelines (NPGs) Feasibility study of outsourcing of DOH SCML to external 4PL for select services	Consultancy in the transition of PhilHealth to DRG-GB payments Consultancy on the implementation of benefit complementation on PHI/HMO with PhilHealth benefits Technical Assistance on measuring the percent share of medicines in OOP expenditure Technical assistance on the implementation of Pilot e-procurement platform for medicines (similar to PhilGEPS and PS)	Revisit the parameters in defining and setting the standards for accommodations (e.g. basic and ward accommodations)	Evaluation of the implementation of MAIFIP and its impact in reducing OOP and catastrophic spending, (e.g. including allocation of public health funds for specialty hospitals) Impact evaluation of past policies and legislative measures on improving medicine access (ie. Generics Law and Cheaper Medicines Act Revisit, EO 49 s. 1993 - PNF)	Policy to align/coordinate services covered by various medical assistance funds to focus on diseases that drives catastrophic spending (e.g. cancer, specialized/ complicated illnesses) Create joint guidelines / align policies with other NGAs on coverage of social protection programs Policy on the establishment of a coordinating mechanism in the complementation of PHI/HMo bewith PhilHealth benefits Conversion of COVID-19 isolation beds as basic/ward accommodation Harmonization of DOH and PhilHealth processes in the development of benefits (ie. NPGs, PNDF, and OHG utilized as the standard of PhilHealth benefits) Develop cost-sharing policies for non-basic or ward accommodations and services outside the minimum standards of care, including appropriate co-payment rates Recalibrated Philhealth benefit plan (due to suspension of premium rate hikes)
Strategic Objective 4: PROMOTE transparency, accountability, and good governance in health				
Review and Validation of methodology for catastrophic health expenditure measurement - compare performance to other countries	Consultancy on the assessment of public financial management (to include planning, budgeting, execution, supply chain and mgt & procurement of primary care commodities/ services) of DOH and PhilHealth Development of systems for digitization to support management and health service provision Capacity building of DOH/PhilHealth on HCF		Review of budget execution of the DOH and PhilHealth to inform PFM	Revised PREXC structure and consolidation of multiple line-items Guidelines to determine standard and competitive benefits & incentives for PHWs (MC, BHW, BNS)

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